

**A. 19**

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From the desk of  
**Chris Beebe**

**FAX**

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To: **Mr. William Heinecke – The Minor Group**

RE: **Thailand Representation**

Date: **January 18, 1999**

**Total Pages - 1**

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Dear Mr. Heinecke,

Thank you for your fax of today. I understand your concerns regarding the situation in the Thai market.

- 1) Regarding the parallel importer Tight Lies, there are two reasons that these clubs are in your market. The first is that the Tight Lies were a very hot product last year, and as there was no distributor in Thailand, several parallel importers contacted parallel exporters in the States and brought the clubs in to meet the demand.

The second reason is that our former domestic sales manager was very numbers oriented, and as a result several outlets were able to purchase our clubs that we normally would not sell to. As a result, Tight Lies appeared in a few areas that caused us some concern, and one of them is Thailand. Our new domestic sales manager has a better grasp of the situation, and is putting more controls in place to minimize such disturbances.

With proper representation in your market, and with distributor pricing and sensible margins, the parallel importers should not find many customers in Thailand (as of the first of the year, Adams has new and very aggressive pricing internationally which should make it easy to undercut the parallel importers). Unfortunately, parallel importation can never be stopped, but it can certainly be controlled and minimized.

- 2) Reasons for the slow sales would be two. One is that the prices the outlets are charging are too high. The second is that they are selling US specification clubs. We do offer an Asian specification club with a smaller grip, more flexible shaft and lighter weight that is much better suited to the Asian markets. As it has a different shaft, it can easily be distinguished from the US specification club.
- 3) I believe that you should speak with John Souza (or whomever you work with) at Ping regarding the possibility of representing Adams in Thailand (or I can, as John and I know each other very well). Adams and Ping are at different price points, pursue different distribution strategies and have different strengths, so conflict should be not be a problem. I believe that you are also representing another golf company at this time, and

**ADAMS 017172**

if you have not signed an exclusive agreement with Ping they should not object. If there are concerns on their part, you can also add some different salesmen to handle one or more of the lines, and that should alleviate their worries.

You have a fine organization and I would welcome the opportunity to work with your people. Please let me know if you have any other questions, or if I can help to eliminate any other concerns that you may have.

Best regards,

Chris Beebe

ADAMS 017173

**A. 20**

IN RE: ADAMS GOLF, INC. : CONSOLIDATED  
SECURITIES LITIGATION : C.A. NO. 99-371 KAJ

X

Friday, June 30, 2006

(215) 241-1000      (888) 777-6690

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1 Parrish was like, I think, under him and I would  
2 report to him. He took over for a while, but Mark  
3 was ultimately the --

4 Q Okay. And how often did you -- say,  
5 in '96 and '97, how often did you see Mark  
6 Gonsalves? Was it --

7 A Every day. Every day. We had a  
8 morning meeting every day.

9 Q Okay.

10 A From the beginning of time, we had a  
11 meeting -- the whole inside sales group and Mark,  
12 we'd have a meeting and talk about goals and --  
13 what did we call them? -- objections and how to  
14 get around objections.

15 Q Okay.

16 A Yeah. So every day we had a meeting,  
17 and it was a way to start off our day.

18 Q And did that practice continue  
19 throughout your employment at Adams Golf?

20 A Yes.

21 Q Okay. You testified that in the  
22 beginning of your employment, and correct me if  
23 I'm wrong, I don't want to misquote the record,  
24 there were six members of the inside sales staff.

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1 Is that --

2 A When I started, correct.

3 Q And then -- so I assume your regions,  
4 then, were -- were greater than the ones you've  
5 described here, Seattle, Miami, Arkansas,  
6 New Orleans, Connecticut --

7 A Right. For instance, I had the  
8 entire state of Washington.

9 Q I see.

10 A Then when we added more people, we  
11 were asked: What territories do you want to get  
12 rid of? And I was like: Well, you can have  
13 Arkansas, and you can also have the east half of  
14 Washington.

15 Q Yep. Yep. Spokane?

16 MR. BESSETTE: Lucky folks.

17 Q (By Mr. Mara) Okay. So and are you  
18 able to recall when -- but you retained -- I'm  
19 sorry. Strike that.

20 So you retained Seattle,  
21 Miami, throughout your tenure at Adams Golf?

22 A Yeah.

23 Q Are you aware of the concept of gray  
24 marketing?

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1 A I am now.

2 Q And what do you understand it to  
3 mean? What does it mean to you?

4 A I guess when people get ahold of a  
5 product, like a golf club, and I guess they're not  
6 really supposed to have it, like an  
7 unauthorized -- like they get the golf club --  
8 somebody gets the golf club and sells it to  
9 somebody else who isn't really supposed to be  
10 selling it.

11 Q I see. Okay. Now, during 1997, did  
12 you have an occasion to experience anything like  
13 that in your sales regions?

14 A Yes.

15 Q And can you describe what that was?

16 A It started off in Seattle where a big  
17 client of mine called me up complaining that he  
18 was at Costco and saw Adams Golf clubs at Costco.  
19 And I wasn't really sure about Costco because we  
20 didn't have Costcos there, but he explained to me,  
21 a big warehouse wholesale-type place like Sam's.  
22 I know what Sam's is, so he explained that to me.  
23 That's how I first found out about it.

24 Q And are you able to recall who the

Page 13

1 account was?

2 A I think -- I think it was Pro Am  
3 Golf. Is that it? It's -- it's -- big, giant --  
4 it's like the biggest one in Seattle.

5 Q Okay. They're in Seattle?

6 A Uh-huh.

7 Q And are you able to recall what, if  
8 anything -- if it was Pro Am Golf, I know you're  
9 trying to remember. What did they say to you?  
10 Are you able to recall what they --

11 A Well, he was pretty mad. He was  
12 pretty mad, like: Why are these clubs showing up  
13 in Costco? Why are you -- why are you-all giving  
14 these clubs to Costco? That was pretty much  
15 his --

16 Q Okay.

17 A -- take on it.

18 Q And did he describe what quantity or  
19 how many clubs he --

20 A He said there were a bunch. I mean,  
21 I don't think he actually gave me a number or  
22 anything, but he said there was a bunch in there,  
23 and that was his concern. I think if he saw like  
24 one or two, he probably wouldn't care, but there

Page 14

1 were a bunch in there.  
 2 Q And what, if anything, did you do  
 3 after you had this conversation --  
 4 A I told -- I told Mark.  
 5 Q And can you describe what happened  
 6 there? What did you say to Mark and --  
 7 A I went in and I told him my concerns  
 8 and he just kind of blew me off, so to speak.  
 9 Q And --  
 10 A He just said that was another  
 11 objection that I had to get over and figure out  
 12 how to work around that.  
 13 Q Did you say anything else to Mark  
 14 Gonsalves at that time or --  
 15 A Well, I went to him more than once.  
 16 It wasn't just one time I let go. It kept  
 17 happening and my people kept calling me. They  
 18 were -- they were mad at me for somehow having  
 19 fault at the clubs getting into Costco.  
 20 Q I see.  
 21 A They were mad, just: Why are you --  
 22 why are these people having golf clubs?  
 23 Q And are you able to recall -- now,  
 24 when you say they were mad and my people were

Page 15

1 calling me, was that from Washington?  
 2 A Uh-huh. That's where it started. It  
 3 wasn't just the one big retailer, some green-grass  
 4 accounts would call and they'd say the same thing  
 5 and they'd get upset.  
 6 Q I see. And by green-grass accounts,  
 7 do you mean --  
 8 A Like country clubs.  
 9 Q -- like pro shops and --  
 10 A Yeah, pro shops and country clubs,  
 11 stuff like that.  
 12 Q And now -- and that was occurring --  
 13 are you able to recall when that was occurring in  
 14 1997?  
 15 A It was -- it was early in the year,  
 16 because we were in the first building in Plano.  
 17 Q Uh-huh. Are you able to estimate, or  
 18 if you can recall, how many times do you think you  
 19 went to Mark Gonsalves relaying these complaints  
 20 about clubs in Costco?  
 21 A I'm what is known as a squeaky wheel,  
 22 so I went often. I can't remember -- I can't tell  
 23 you how many times, but I do know I went multiple  
 24 times to him.

Page 16

1 Q And did -- was his reaction  
 2 consistent each time or --  
 3 A Pretty much.  
 4 Q -- or did he just keep saying: Work  
 5 on it?  
 6 A Yeah, work on it. You'll get over  
 7 it, or you know, he really just kind of blew me  
 8 off.  
 9 Q And when you went to him, did --  
 10 well, can you describe the level -- was the level  
 11 of frustration growing from the accounts?  
 12 A Yes.  
 13 Q Okay. And can you describe what that  
 14 was like? What -- how do you know the level of  
 15 frustration was growing?  
 16 A They would stop ordering clubs. They  
 17 didn't trust me anymore. Because when you're  
 18 calling people on the telephone, they've never  
 19 seen you, they've never met you, just some woman  
 20 from Texas is calling me trying to sell me a whole  
 21 bunch of golf clubs. It took a long time. You  
 22 build the trust, you have a rapport, you have a  
 23 relationship with these people, and they trust  
 24 you.

Page 17

1 And this is their business, so  
 2 they're trusting you to help them grow their  
 3 business, and all of a sudden, they feel as though  
 4 you stabbed them in the back, so there's a lot of  
 5 trust that -- they didn't trust us anymore. Us,  
 6 I'm saying us as a whole, as a company. It wasn't  
 7 just me.  
 8 Q Right.  
 9 A Because they saw the clubs and they  
 10 quit ordering them. The country clubs and stuff  
 11 got to the point where they wouldn't -- it's not  
 12 like they ordered a million clubs. They would  
 13 order maybe a dozen or a half a dozen to keep them  
 14 on hand. They wouldn't do that anymore. They  
 15 would just order like one special order or some  
 16 guy came in and wanted a specific Adams club, they  
 17 would order that and just kind of didn't want  
 18 anything else.  
 19 Q I see. And -- okay. And did they  
 20 tell you it was because of the clubs in Costco --  
 21 A Yeah.  
 22 Q -- that this trust had been breached?  
 23 A Uh-huh.  
 24 Q What you just testified to, did you

5 (Pages 14 to 17)

Page 18

1 relay that to Mark Gonsalves in '97?

2 A Yes. Yes.

3 Q Okay. And he said: Keep working on  
4 it?

5 A Yeah, they eventually had like some  
6 little task force that they got going, but that  
7 had -- it had been going on a long time. It  
8 affected me first before it started affecting  
9 other salespeople, and it wasn't until it started  
10 affecting other salespeople that, you know, they  
11 kind of like looked into it a little bit.

12 And they had this task force,  
13 but the task force didn't happen until the damage  
14 was done, if you ask me, and that's when -- I  
15 think it was Scott Blevins, they had some serial  
16 numbers they would write on them or something like  
17 that, but I mean --

18 Q Now, are you aware -- are you aware  
19 that Adams Golf had an initial public offering --

20 A Uh-huh, yeah.

21 Q -- and went public?

22 A Yes.

23 Q And just for clarity, you're aware  
24 that it was July 9th of 1998?

Page 19

1 A Right.

2 Q The decline in sales that you were  
3 complaining about, was that occurring in 1997?

4 A Yes.

5 Q And was that occurring in -- in the  
6 first half of 1998?

7 A Uh-huh.

8 Q And did you -- did you tell Mark  
9 Gonsalves specifically that you were experiencing  
10 a decline in sales --

11 A Yes.

12 Q -- as a result of these complaints?

13 A Yes.

14 Q And what, if anything, did he say to  
15 that?

16 A He didn't really say much. He just  
17 kind of blew me off. He never really had a whole  
18 lot to say about it. He was just kind of: I  
19 don't know.

20 Q Other than Mark Gonsalves, did you --  
21 did you talk about this Costco -- clubs in Costco  
22 with other people at Adams Golf?

23 A Oh, yeah. We -- everybody at Adams  
24 Golf was really pretty close. We hung out. We

Page 20

1 went to lunch together. We chitchatted. We saw  
2 each other on the weekends. We were all pretty  
3 close. Yeah, we'd talk about it. I mean, one of  
4 the things, we would kind of try to help each  
5 other, how to get over the objections that we  
6 always had. You know, we would stand around and  
7 we would write our numbers on the boards. I know  
8 like Katherine and I would talk about it,  
9 Katherine East and I would talk about it. So  
10 yeah, we all talked about it.

11 Q Were you the only one who was  
12 experiencing a problem with clubs in Costco?

13 A No. No. I believe Katherine was the  
14 second salesperson affected by it.

15 Q Are you able to recall what  
16 regions -- Katherine is Katherine East?

17 A Right.

18 Q Are you able to recall what regions  
19 of the country she had?

20 A I think it was in the Southwest, like  
21 around Arizona. I think that was the area that  
22 was affected for her.

23 Q And again, these discussions among --  
24 correct me if I'm -- I don't want to characterize.

Page 21

1 These discussions were generally among the inside  
2 sales staff?

3 A Yeah. Yeah. Pretty much.

4 Q And were those discussions occurring  
5 in 1997 and the first part of 1998?

6 A Uh-huh, yes.

7 Q Are you able to recall if anyone else  
8 on the inside sales staff complained about a  
9 breach of what -- what we've characterized as a  
10 breach of trust this morning with their accounts?

11 A I mean, if you're referring to the  
12 double shipping and all that kind of crazy stuff,  
13 yeah.

14 Q Well, no, I --

15 A I mean --

16 Q I mean --

17 A I mean the whole trust issues about  
18 like the clients calling up --

19 Q Yeah.

20 A -- and complaining to us. Yeah,  
21 everybody had that problem.

22 Q I see. Did you -- were you ever able  
23 to ascertain the amount of clubs that were  
24 involved in showing up in Costco?

6 (Pages 18 to 21)



Page 22

1 A I couldn't give you a number, but I  
2 know that there were a lot, just for the fact  
3 that, well, the people in the Seattle area were  
4 telling me that there were hundreds in there. And  
5 then they made their way all the way down to  
6 Florida, and they made their way all the way to  
7 Arizona. That's a lot of clubs.

8 Q Are you able to recall -- let's see.  
9 We'll take Pro Am Golf. I don't know anything  
10 about it, but was Pro Am Golf -- where was that in  
11 the hierarchy of your accounts? Was that the  
12 biggest or --

13 A Probably top five. And I had some  
14 big ones.

15 Q Well, we'll take Pro Am Golf in 1997  
16 and the first half of 1998.

17 Can you describe what effect  
18 this clubs-in-Costco complaint had on -- on your  
19 sales to Pro Am Golf in 1997 and the first part of  
20 1998?

21 A They didn't buy nearly as many clubs.  
22 They would just buy less, a lot less.

23 Q Are you able to estimate, rough  
24 estimate?

Page 23

1 A I'm not good with estimates.

2 Q I mean, if you can't, you can't.

3 A I don't know. It was significant.  
4 It was a significant decrease in what they would  
5 buy.

6 Q And were you on a commission --

7 A Yes.

8 Q -- basis at that --  
9 Okay. So that was hurting  
10 your pocketbook personally?

11 A Yeah.

12 Q Did anyone from Pro Am Golf cite any  
13 other reasons for a reduction in their orders?

14 A No.

15 Q Did any of your green-grass accounts  
16 suggest any other reason for a reduction in their  
17 orders?

18 A No. I mean, that was -- that was it.

19 Q The Costco problem?

20 A Uh-huh.

21 Q Was there any discussion about where  
22 the clubs were coming from that were showing up in  
23 Costco?

24 A Do you mean with Mark?

Page 24

1 Q Sure. Yeah. Did you ever --

2 A I know we --

3 Q Yeah, did --

4 A We all wondered, but I still don't  
5 know exactly how they got there.

6 Q Yeah.

7 A I've got my assumptions and what I --  
8 how I think they got there, but no, no one ever --  
9 no one ever pinpointed that.

10 Q What -- what's your assumption?

11 A My assumption is when Jay, another  
12 salesperson, he shipped a lot of clubs --

13 Q I'm sorry. For the record --

14 A Jay Greaney. He's a salesperson.  
15 He would ship clubs -- I do

16 remember there was a place in California that he  
17 would ship gobs and gobs of clubs to, but there  
18 was no store. Gee, I wonder where they're going.  
19 And that -- I don't remember the name of the  
20 accounts. It wasn't my account base. But we do  
21 travel. It's not like we're stuck in Texas, and  
22 you go to places and there is no such and such  
23 store.

24 And also, when he -- he

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1 shipped out of a lot of clubs that he really  
2 probably shouldn't have been shipping out, and  
3 that's where I assume they went.

4 Q I see. And when you said: We  
5 weren't stuck in Texas, again, are you referring  
6 to the inside sales staff?

7 A Yeah. I travel -- even when I  
8 traveled for pleasure -- my brother -- at the  
9 time, my brother lived in Southern California, and  
10 I would go and: Hey, I work for Adams Golf. So  
11 I'd go to Edwin Watts or whatever golf stores were  
12 out there. We're not isolated. We get out.

13 Q Well, and what -- okay. Strike that.  
14 Sorry.

15 Your region -- let's say in  
16 1997 and the first half of 1998, did -- you had  
17 the Miami region in Florida, or did -- how was  
18 your region bordered in Florida?

19 A I had Fort Lauderdale and I had  
20 Miami.

21 Q And in the hierarchy of the Adams  
22 Golf sales department, were those important  
23 markets or --

24 A Yes.

7 (Pages 22 to 25)

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1 Q -- average markets?

2 A No. No. That's -- there's a lot of  
3 money in Southern Florida. And the way the --  
4 it's -- the way the inside sales was mapped out is  
5 that you would have -- because in the winter,  
6 you're in Seattle or Philadelphia or whatever,  
7 you're not playing golf because it's cold. You go  
8 down to Miami and play golf.

9 So you'd have an amount of  
10 summer accounts and an amount of winter accounts.  
11 And so that was -- I mean, if I didn't have Miami,  
12 I probably wouldn't have made any money in the  
13 winter months.

14 Q Right. Nobody is playing golf in the  
15 snow.

16 A Yeah.

17 Q You've testified to the reaction of  
18 your accounts in Washington to clubs in Costco.  
19 Can you tell us about the reaction of your  
20 accounts in Fort Lauderdale or Miami area?

21 A Yeah. I'm pretty sure it was Edwin  
22 Watts that called me, and I'm sure you know Edwin  
23 Watts is a big chain.

24 Q Oh, yeah.

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1 A And also some smaller places too.  
2 They would call and complain, kind of the same  
3 thing, just a different area.

4 Q And was -- can you characterize what,  
5 if any, impact that had on sales in --

6 A Yeah, it -- dramatic decline. They  
7 were angry. I mean, their first thing is they're  
8 angry because they think we bamboozled them. That  
9 was their first thought: Hey, I'm managing this  
10 pro shop or I own this pro shop and you're selling  
11 me these clubs at X dollars, and I can go down the  
12 street and any Joe Blow can buy them for way  
13 cheaper.

14 It was just -- it messes up  
15 the numbers, because we would tell them they have  
16 so much of a margin because you have to sell it  
17 for so many dollars. They go down the street and  
18 what I just told my pro doesn't apply to that guy,  
19 and they would get mad.

20 Q Right.

21 A It affected their bottom dollar too,  
22 and if you're a pro shop manager or you manage an  
23 Edwin Watts or whatever and your numbers aren't  
24 what they're supposed to be, they're getting in

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1 trouble. So yes.

2 Q So then in your -- your portfolio of  
3 accounts, Miami and Fort Lauderdale was your most  
4 important region or most profitable, however you  
5 would define that? Is that true or --

6 A Of my whole region, no; but in the  
7 winter, yes.

8 Q All right. Okay. Was there  
9 competition among inside sales staff members to --  
10 to get different regions, to be the salesperson  
11 for that region?

12 A No, that wasn't really an option.

13 Q It was just kind of whacked up --

14 A You -- your territory is your  
15 territory and tough luck if you want something  
16 else. I mean, unless someone was wanting -- I  
17 mean, you could trade, but that didn't really  
18 happen.

19 Q Just one second, if I may.

20 So other than -- and again,  
21 the record will -- and please, I don't want to put  
22 words in your mouth.

23 Other than speaking with Mark  
24 Gonsalves about the clubs in Costco and customer

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1 complaints and other members of the inside sales  
2 staff, did you discuss it with anybody else?

3 A I mean, no. There's no real need to.  
4 No.

5 Q There's no -- why did you feel no  
6 real need to?

7 A Well, Mark was my boss, so --

8 Q Okay.

9 MR. MARA: I don't think I  
10 have anything else.

11 EXAMINATION

12 BY MR. BESSETTE:

13 Q Ms. Brooks, my name is Paul Bessette.  
14 I'm with Adams -- I'm sorry. I'm with Akin Gump.  
15 I think when you and I first talked a long time  
16 ago, I was with Brobeck. I don't know if you  
17 remember our phone conversation.

18 A I do, but it's been a while, yeah.

19 Q But we haven't been able to talk with  
20 you in a long time. I say "we" meaning Adams  
21 Golf's counsel. But I understand you've talked  
22 with the plaintiffs' counsel before today?

23 A Uh-huh.

24 Q How many times, would you say?

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1 who used to work there. So I have no problem with  
 2 Adams Golf.  
 3 Q Do you know what the plaintiffs'  
 4 claim in this litigation is?  
 5 A Not really sure. No, I really don't  
 6 know the ins and outs of the case, I just -- I  
 7 really don't.  
 8 Q Did the plaintiffs ever tell you what  
 9 their claims were?  
 10 A I -- I don't know if I ever asked.  
 11 Q Do you have any sense, as you sit  
 12 here, whether Adams Golf as a company did anything  
 13 wrong with respect to -- when they went public in  
 14 their IPO?  
 15 A Yeah. I think there was some -- a  
 16 couple of misguided people at the company.  
 17 Q What do you mean?  
 18 A Well, when all that double-shipping  
 19 business was going on with Jay, and I'm sure  
 20 you-all talked to Jay Greaney and everything,  
 21 about the whole double shipping, I'm pretty sure  
 22 Mark Gonsalves knew about that. That's not right,  
 23 you know.  
 24 Q Did you know that the company

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1 investigated whether there was actual double  
 2 shipping or not?  
 3 A I'm not really sure -- I know  
 4 there's -- you don't need to investigate it. I  
 5 know there was double shipping. I don't need to  
 6 investigate. I am quite confident there was  
 7 double shipping going on.  
 8 Q I'm sure you are --  
 9 A Yeah.  
 10 Q -- but do you know whether the  
 11 company investigated it?  
 12 A I don't know.  
 13 Q Do you know what Jay talked about  
 14 with respect to double shipping?  
 15 A No.  
 16 Q Okay.  
 17 A I mean, Jay was a nice guy and  
 18 everything, but we weren't like -- we didn't like  
 19 hang out and chat or anything.  
 20 Q You don't have any reason to believe  
 21 that Jay Greaney would lie under oath, do you?  
 22 A No.  
 23 Q You wouldn't lie under oath?  
 24 A No.

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1 Q Let's talk about you joining Adams  
 2 Golf in August '96. What did you do before that?  
 3 A I was a sale rep for "The Green  
 4 Sheet." And before that, I had just moved here  
 5 from El Paso.  
 6 Q And before joining Adams Golf, did  
 7 you have any experience in the golf industry?  
 8 MR. MARA: I'm sorry. I  
 9 didn't mean to -- did you say '98, joining Adams  
 10 Golf in '98?  
 11 MR. BESSETTE: August of '96.  
 12 THE WITNESS: I thought he  
 13 said '96.  
 14 MR. MARA: Sorry.  
 15 A Golf industry, no. I played golf,  
 16 but that was it.  
 17 Q (By Mr. Bessette) Okay. And you  
 18 said you reported to Mark Gonsalves. How was he  
 19 as a -- as a boss, generally speaking?  
 20 A He was -- he had certain standards he  
 21 would like us to live up to. He drove us pretty  
 22 hard, but he was a good salesperson. He was a  
 23 good sales manager.  
 24 Q He was a good motivator?

Page 37

1 A Yeah.  
 2 Q Was he a good mentor?  
 3 A Yeah.  
 4 Q And he held, I think you said, daily  
 5 sales meetings with the staff to help motivate and  
 6 help drive more sales?  
 7 A Right.  
 8 Q You -- I wrote this down. I thought  
 9 it was kind of funny. You called yourself a  
 10 squeaky wheel?  
 11 A Yeah.  
 12 Q Were you sort of the complainer in  
 13 the group?  
 14 A When something was brought to my  
 15 attention, yeah. But I'm like that now, still.  
 16 If something I see is wrong or happening wrong,  
 17 I'm going to talk about it until I don't think  
 18 it's wrong anymore or it's been fixed or repaired  
 19 or has gone away or whatever, so yeah.  
 20 Q And is it your recollection you kind  
 21 of went and talked to Mark quite a bit and  
 22 complained quite a bit about things, didn't you?  
 23 A Not just things. I mean, that makes  
 24 it sound pretty trivial. But if there was

10 (Pages 34 to 37)

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1 about it.  
 2 So I was like: No, we are not  
 3 selling to Costco. It's -- it's not going to  
 4 happen. That's not what we're doing. And it just  
 5 kind of built up over a series of a couple of  
 6 months where they got more angry and kept seeing  
 7 the clubs, and I kept telling them, no, no, no,  
 8 and then they just kind of finally had enough and  
 9 just -- slowly just stopped buying.

10 Q I see. So it took -- I mean, it took  
 11 several months because you were obviously being  
 12 very persuasive that the company is not selling  
 13 clubs to Costco?

14 A Right.

15 Q They must be getting them somewhere  
 16 else?

17 A Right.

18 Q And we're going to figure out where  
 19 they're getting them?

20 A Right.

21 Q And you were being told by Mark and  
 22 others in the company that the company was trying  
 23 to figure out how Costco was getting these clubs?

24 A Towards the end, yeah, when everybody

Page 67

1 was affected by it, yeah.

2 Q And you're aware that the company  
 3 sued Costco, right?

4 A No, I didn't know that.

5 Q You didn't know that. Okay.

6 So you didn't know that they  
 7 sued Costco to figure out how Costco was getting  
 8 the clubs. They put out a press release to tell  
 9 retailers and people in the marketplace that they  
 10 were suing Costco because Costco was an  
 11 unauthorized retailer.

12 You don't remember that at  
 13 all?

14 A Vaguely. I remember something about  
 15 the Costco thing, but I don't remember there being  
 16 a lawsuit, but --

17 Q I think it was actually called a bill  
 18 of discovery, but unless you're a lawyer, you're  
 19 probably --

20 A I'm like, no, so that's -- yeah,  
 21 so -- I do remember something along those lines,  
 22 yeah.

23 Q Because wasn't Mark telling you:  
 24 Look, here's the story. We're not selling to

Page 68

1 Costco. Tell your folks that. We're going to sue  
 2 Costco or we're suing Costco, and that's a message  
 3 you can send to the retailers?

4 A Long time -- I mean, in my opinion,  
 5 the damage had already been done. My clients  
 6 didn't care at that point. They were like: Too  
 7 little, too late.

8 Q Okay.

9 A Because it wasn't just like: Oh,  
 10 really, let's run out and do something about it.  
 11 It took a long time of lots of clients and people  
 12 calling in before anything was ever really done  
 13 about it.

14 Q So in the -- and what you're saying  
 15 as anything really done about it is sort of that  
 16 Scott Blevins team to go check --

17 A Yeah, and that thing of discovery  
 18 that you just talked about. I do remember that,  
 19 but --

20 Q When do you remember that?

21 A I don't -- I don't remember a time,  
 22 but you -- I'd completely forgotten about that  
 23 until you -- I was like, oh, yeah, they did do  
 24 some little press release or whatever you called

Page 69

1 it.

2 Q Uh-huh.

3 A But that was too little too late.

4 Q Okay. So when do you recall --

5 A I don't remember when it happened. I  
 6 do remember it happening, but I don't remember  
 7 what it was. I do remember my accounts had  
 8 already -- by the time that happened, I do  
 9 remember my accounts being disgruntled already.

10 Q Oh, okay.

11 A Does that --

12 Q Sure. Because if that happened in --  
 13 say, the press release was in June, you move into  
 14 the new building in April, so between April --  
 15 March, April and June, you've been working them a  
 16 long time telling them: It's not us, and not to  
 17 worry.

18 Does that sort of sound right?

19 A I think so, yeah, but -- actions  
 20 speak louder than words sort of thing.

21 Q Sure.

22 A That was their --

23 Q So there's no doubt they were  
 24 disgruntled and they were complaining to you.



Page 74

1 Q And they started complaining, and as  
2 you say, they got more and more disgruntled, and  
3 it took months, and then at some point they slowed  
4 their orders and it stopped altogether?

5 A Yeah.

6 Q And the records of the company and  
7 the sales records would reflect all the sales that  
8 were made?

9 A Yeah.

10 Q So we could see, presumably, whether  
11 anybody actually slowed or stopped?

12 A Yeah, I would guess.

13 MR. MARA: Is now a good time?

14 MR. BESSETTE: Yeah. Let's  
15 break.

16 (A recess was taken from  
17 11:46 to 11:56.)

18 MR. BESSETTE: Okay. Back on.

19 Q (By Mr. Bessette) In the --  
20 Ms. Brooks, in the -- again, same time frame we've  
21 been talking about, moving into the new building  
22 on Plano Parkway, March/April, till the IPO, how  
23 many inside salespeople do you think the company  
24 had at that time, that you recall?

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1 A 12, maybe. I don't remember. I'm  
2 trying to think of who all was there. I know it  
3 was more than the initial six.

4 Q Uh-huh.

5 A 10, 10, 12, somewhere around there.

6 Q That's your recollection?

7 A I think -- I don't really remember.

8 I'm just trying to think of who the salespeople  
9 were, because they were the original six, and then  
10 there was like Darin and Andrea and all those  
11 people got hired, and the little guy that drove  
12 the Jeep. I can't remember his name. I don't  
13 remember. I know it was more.

14 Q Okay. And do you remember -- do you  
15 remember about the time of the IPO again, so we're  
16 in the summer of '98, about how many retail  
17 accounts were there overall that the company had?

18 A I don't know.

19 Q No idea?

20 A Huh-uh.

21 Q You don't know if it was 5,000 or  
22 10,000 or anything like that?

23 A No.

24 Q With lots of accounts and lots of

Page 76

1 salespeople, did you -- how well did you know  
2 other people's accounts? Did you have time to  
3 know other salespeople's accounts?

4 A Some of the bigger ones that maybe  
5 affect your territory, maybe you would know.

6 Q Uh-huh.

7 A That way.

8 Q Okay. I can see that. Any other  
9 way?

10 A Just chatting. Like I'll give you an  
11 example that kind of -- like the -- there's a golf  
12 club in Pennsylvania called Squires Club. It's a  
13 pretty high-end -- when I say high-end, men-only  
14 club, and I got to be such good friends with the  
15 pro there that he actually sent me a wedding  
16 present, and he thanked me when I sent Dr. Jay to  
17 his club to buy a golf club.

18 So I told everybody the  
19 Dr. Jay story a hundred times. So you know  
20 things, if have like a story or something. We  
21 knew things about maybe special accounts.

22 Q Okay. All right. Good.

23 Now, Jay Greaney was the top  
24 salesperson at the time?

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1 A Correct.

2 MR. MARA: The time being?

3 Q (By Mr. Bessette) The time being,  
4 again, it's March/April to --

5 A While Jay was there, best of my  
6 recollection, he was usually the top salesperson,  
7 so --

8 Q And why was that, in your view?

9 A He was a good salesperson, and he  
10 also padded his orders.

11 Q Yeah. So let me explore that a  
12 little.

13 Why do you think he padded his  
14 orders?

15 A To make more money.

16 Q Let me ask you a better question:  
17 How do you know? How do you have the opinion that  
18 he padded his orders?

19 A Because my -- I know he had a lot of  
20 returns and -- and it was kind of common  
21 knowledge.

22 Q Okay. So besides water cooler talk  
23 and people not liking Jay for whatever reason --

24 A I never said I didn't like Jay. I do

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1 like Jay.  
 2 Q Okay. Let me ask you this in one  
 3 pointed question: Do you have any personal  
 4 knowledge that he actually, as you said, padded  
 5 his numbers?  
 6 A I can't think of anything specific.  
 7 Eight years ago, I probably could have cited  
 8 something pretty specific, but right now, no, I  
 9 can't.  
 10 Q So as you sit here, no personal  
 11 knowledge?  
 12 A That I can remember.  
 13 Q That's all I want to know, is what  
 14 you remember.  
 15 A Yeah. I can't think of anything  
 16 right now. If someone were to jog my memory or  
 17 give me some specific examples, maybe I'd remember  
 18 something, maybe I wouldn't. I don't know.  
 19 Q Okay. You also testified earlier  
 20 about this California store that Jay shipped to.  
 21 A Uh-huh.  
 22 Q So let me understand, are you saying  
 23 that you were out in California and you knew the  
 24 specific address?

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1 A No. No. No. Other people, such as  
 2 myself -- I was giving you an example of when I  
 3 went to California and I would go look at other  
 4 people, but I do remember him having an account in  
 5 California that did not have a storefront.  
 6 Q Okay.  
 7 A I believe -- I believe maybe he's the  
 8 one who told us. I don't recall. I don't  
 9 remember, but it -- the inside sales team knew  
 10 that Jay had a customer, client, whatever you want  
 11 to call them, in California that did not have a  
 12 storefront.  
 13 I think maybe one of his other  
 14 clients found that out. I'm not really sure  
 15 exactly how it came to light, but that did come to  
 16 light.  
 17 Q Okay. And what did that mean to you?  
 18 Because I don't know what that means.  
 19 A Well, that meant to me: He is  
 20 selling clubs at the wholesale price to some guy  
 21 who doesn't have a store for people to come and  
 22 buy them in.  
 23 Q Okay. So besides that, you don't  
 24 know -- is there any other meaning to that?

Page 80

1 A I take it is that he is selling them  
 2 to this guy and this guy is probably, I'm  
 3 thinking, Mr. Gray Market guy.  
 4 Q But again, no personal knowledge?  
 5 A No. But it was -- the whole inside  
 6 sales team, including Mark and Craig and everybody  
 7 else, knew about this. We talked about it openly.  
 8 It wasn't some big secret.  
 9 Q So wouldn't that suggest it was  
 10 appropriate and aboveboard, just a little unusual  
 11 and not something sinister?  
 12 A No --  
 13 MR. MARA: Objection to the  
 14 form of the question.  
 15 But answer it. Sorry.  
 16 A No, because didn't Jay get fired?  
 17 Q (By Mr. Bessette) Is that your  
 18 recollection?  
 19 A Yeah, I think he got fired  
 20 eventually. I mean, Jay had a unique way of  
 21 selling clubs, I'll say, and I personally don't  
 22 find it to have been an ethical way to sell clubs.  
 23 Q What do you mean by that?  
 24 A Some people, when you -- you say:

Page 81

1 Okay. I'll take six clubs.  
 2 Send them a dozen. He would  
 3 do that. That was his method. I don't believe  
 4 there's any secret. A person tells me: Send me  
 5 six clubs, I sent them six clubs. So that's what  
 6 I'm talking about.  
 7 Q All right. So let's explore that  
 8 again. Besides the knowledge that you say was  
 9 around the water cooler --  
 10 A Do I have something pinpoint specific  
 11 to document or anything, no, I don't.  
 12 Q So no personal knowledge, no seeing  
 13 an order, knowing that somebody ordered six and --  
 14 A No.  
 15 Q -- seeing that Jay actually shipped  
 16 12?  
 17 A No.  
 18 Q Nothing like that?  
 19 A No.  
 20 Q Just talk around the halls?  
 21 A Yeah.  
 22 Q Okay. Now, you testified earlier  
 23 that -- I think you said Costco, you know, it was  
 24 a big problem for your -- the accounts we've

21 (Pages 78 to 81)

Page 82

1 already talked about --  
 2 A Right.  
 3 Q -- who they were. And that  
 4 eventually, over time, they got so disgruntled  
 5 that they slowed or stopped orders?  
 6 A Right.  
 7 Q Sitting here, looking back on it now,  
 8 so this time frame in '98 --  
 9 A Uh-huh.  
 10 Q -- let's say all of -- let's say that  
 11 same time frame, the April -- March/April, going  
 12 to the new building, to say, the IPO, how -- how  
 13 many clubs -- how many -- how many clubs did  
 14 Costco sell in your territory? Do you have any  
 15 sense?  
 16 A No. I mean, I couldn't tell you. I  
 17 mean, I never went there. I don't know how many  
 18 they had, but according to my clients who told me  
 19 that they had, you know, in the -- a hundred clubs  
 20 or so sitting right there. It was always full and  
 21 it was all freshly stocked, so I'm going to say a  
 22 lot.  
 23 Q A lot.  
 24 A Yeah. I don't have a number to put

Page 83

1 on it because I wasn't there. I didn't count  
 2 them. I'm just going by what my people told me.  
 3 Q Okay. And you have no reason to  
 4 dispute that whatever the Costco records show what  
 5 their sales were in particular regions, you don't  
 6 have any reason to believe that that wouldn't be  
 7 accurate?  
 8 A No.  
 9 Q Okay. And if -- for example, if  
 10 Costco had showed that in the second quarter of  
 11 1998 -- and again, that's right at the time frame  
 12 we're talking about, April, May, June 1998.  
 13 A Uh-huh.  
 14 Q -- in the states of Alaska and Idaho  
 15 and Montana and Oregon and Utah and Washington,  
 16 there were just over 700 clubs sold, does that  
 17 sort of sound accurate to you?  
 18 MR. MARA: Objection, assumes  
 19 facts not in evidence.  
 20 But go ahead.  
 21 A I figured it would be a lot more than  
 22 that, but I -- I have never been to any of those  
 23 places, so I have no idea. I mean --  
 24 Q (By Mr. Bessette) And that's a good

Page 84

1 point. You would have thought it was more because  
 2 it seemed more to you because your customers  
 3 were -- were complaining to you?  
 4 A Uh-huh.  
 5 Q But you don't, as you sit here, know  
 6 how many actual sales were being made in Costco  
 7 and how it was affecting the company overall,  
 8 meaning Adams Golf?  
 9 A Right.  
 10 Q Okay. And would it surprise you to  
 11 learn -- and again, in the same time frame, April,  
 12 May, June of 1998 -- in what Costco calls the  
 13 Southeast region, but it's the states of Alabama  
 14 and Florida, Georgia, Maryland, North Carolina,  
 15 portions of New Jersey -- I don't know why that's  
 16 Southeast, but -- Puerto Rico, South Carolina,  
 17 Tennessee, and portions of Virginia, there were  
 18 only 150 clubs sold by Costco in that time frame?  
 19 MR. MARA: Same objection.  
 20 Q (By Mr. Bessette) Is that surprising  
 21 to you as well?  
 22 A Yeah.  
 23 Q Again, you would have thought it  
 24 would be more?

Page 85

1 A Yeah. Maybe they're all sold out of  
 2 Miami, I don't know, but --  
 3 Q Maybe you know, maybe not. We don't  
 4 know.  
 5 When did you -- let's see.  
 6 You said you got married in April?  
 7 A Uh-huh.  
 8 Q 1998?  
 9 A Uh-huh.  
 10 Q You got married to Michael Brooks?  
 11 A Right.  
 12 Q He was an employee of Adams Golf?  
 13 A Right.  
 14 Q And you met him at Adams Golf?  
 15 A Right.  
 16 Q He was in what department?  
 17 A He started off in customer service,  
 18 and then he moved up, and he was like the  
 19 purchasing manager or something like that. He --  
 20 he was in charge of purchasing the components.  
 21 Q We won't be too much longer.  
 22 Purchasing. Who was his boss  
 23 in 1998/1999 time frame? Do you know?  
 24 A Well, Dick Murtland was his boss, and

22 (Pages 82 to 85)

**A. 21**



MAY-06-1998 17:42

ADAMS GOLF

972 424 0721 P.01/02

cvt 51

2801 East Plano Parkway  
Plano, Texas 75074  
www.adamsgolf.com  
FAX: 972-398-8818  
800-622-0609  
Tel: 972-673-9000



From the desk of  
**Chris Beebe**

***FAK***

To: All Distributors

RE: Pirated Clubs, Grey Markets and Other Unpleasant Subjects

Date: May 6, 1998

Total Pages - 1

Dear Distributors,

After the positive tone of my last fax to all of you, it is time to mention a few topics that are not as pleasant as the Faldo signing. However, these are part of doing business in the golf industry, and I thought it best to put them all together in one fax.

- 1) As Adams Golf has had the very good fortune to be selling a club that is in high demand, we understand that there will be those who want to create product similar to ours so that they can ride the momentum that has been created. Companies such as Olimar and Cobra have clubs that employ the same concept, but are readily different from the *Tight Lies*. These we take as complements.

However, we are also seeing a number of direct copies, or very close reproductions of the *Tight Lies*. Adams Golf is taking action against these firms whenever we discover their products. If any of you happen to come across such products, please fax me with as many details about the club as possible (name, who produces it, where it is being carried, pricing, etc.). If Adams is not already aware of this club, we will ask you to purchase one and send it to Adams Golf via express mail. Adams Golf will of course compensate you for any expenses incurred on our behalf.

- 2) I have also heard of several cases of trans-shipments (also called parallel importing or gray marketing) occurring in the United States as well as overseas. Adams Golf will not stand for such actions, and companies anywhere in the world that are caught selling our product outside their designated territories will be terminated.

We are fortunate to be selling a club that many golfers want. However, we must be careful not to sell too many clubs to a single customer at one time, or to sell to known or suspected parallel exporters. Retailers with too many clubs will cut prices or ship to others in order to relieve the pressures of excess stock. Either action hurts your future sales or those of a neighboring country. We are all in this together. Through sensible allocation of our product, strict policing of retail pricing and the knowledge that our actions will have an impact on others in the Adams Golf family, we can keep the demand for the *Tight Lies* growing.

MCK00081

MAY-06-1998 17:43

ADAMS GOLF

972 424 0721 P.02/02

- 
- 3) Several distributors have told me that they have been approached by Price Club and/or Costco regarding sales of *Tight Lies* directly to their US stores. If these stores, or any other approaches you, I would appreciate receiving as much information on which store called, who the contact person was, price they were offering, etc. We must all do our part to stop parallel imports (transshipments), and I appreciate any assistance that you can provide. If you are considering selling to these stores, please give me a chance to beat their pricing!

As the world becomes smaller, these problems affect each and every one of us. I want all of us to benefit from the popularity of the *Tight Lies*, but the only way that we can do this is by working together.

Best regards,



Chris Beebe

MCK00082

TOTAL P.02

**A. 22**

<i>Date</i>	<i>Customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
5/6/1998	18424	Buddy wls me to call next Wed for PTP payment and why.JQ	VP1	Lexington Country Club-Lexington, KY
5/6/1998	18544	Spoke w/Brian and gave info concerning inv#10022160. he will research & call me back--explained order #1027668 on hold...lv	VP1	Smithfields Country Club-Easley, SC
5/6/1998	18711	CR MEM FOR ALL INVS CHARGED TAX	VP1	Mira Vista Country Club-Ft Worth, TX
5/6/1998	18711	ON ACT CR MEM FOR 450.14 IS FOR ALL INVS PAID INCLUDING THE TAX.EC-PULL CR MEM FOR LIST OF THESE INVS.EC	VP1	Mira Vista Country Club-Ft Worth, TX
5/6/1998	18890	contacted golf shop, but was told to contact Barry at 828-0431--attempted to contact--not in-- imtc.lv	VP1	Professional Golf Shop-Madison AL
5/6/1998	18880	Barry ci & stated that he would mail ck for inv#10019368 by Friday--explained order #1026930 on hold.lv	VP1	Professional Golf Shop-Madison AL
5/6/1998	18962	trans ck 1852 to cust 20306	VP1	Cliffs Golf & Country Club-Landrum, SC
5/6/1998	19132	PER NANCY CK TO BE MAILED THURS. #10746 FOR INV. #10019354 CR.	VP1	Pro Golf Discount-Fairfax VA
5/6/1998	19145	Get this Andrew called to cancel his order since our clubs are in Costa Rica (not by our choice) in the Virginia area. I told Andrew that would be fine since he is on credit hold anyway and his now a COD account!	VP1	Pro Golf Discount-Fairfax VA
5/6/1998	19146	It Laura: the ck 7835 never put in an appearance on her account, I will research. Customer is actually up to date.	VP1	Pro Golf Discount-Memphis, TN
5/6/1998	19163	SPOKE TO LEONA-SHE WILL OVER NIGHT CK TODAY FOR 38328.00 AND 534. NEXT WEEK. SAID SHE SHOULD HAVE AROUND 5000 DUE IN CREDITS FROM A PRICE CHANGE.	VP1	Cashmans Sporting Goods, Inc.-Houston, TX
5/6/1998	19163	Called Leona-LM on physical address--will call her again today for PTP amt sent--Glenda -SR- brought to at that on inv#10017690 0202 w/ pr chng for 175 steel TL(\$132 per club should be \$102)/Cr Memo to be written up by SR through JQ-cr and turned in to Sherry.When talking to Leona I will relay matter.JQ	VP1	Cashmans Sporting Goods, Inc.-Houston, TX
5/6/1998	19163	SAW	VP1	Cashmans Sporting Goods, Inc.-Houston, TX
5/6/1998	19736	SAW MARK. CLMS HAS BEEN SAW JAY ABOUT 3 OR 4 TIMES ASKING THAT WE GIVE HIM RA# AS DIDNT ORDER AND WANTS TO RETURN...HE HAS REFUSED TO PAY ON THE OTHER AS HE CLMS DOESNT TRUST US.I TRIED TO EXPLAIN THAT IST.I NEED TO KNOW WHICH INVOICE HE WAS SPEAKING	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998	19736	ABOUT HE WILL GET INFO AND I WCB. THIS GUY IS VERY UPSET AND IS NOT AT ALL BELIEVING WHAT SR JAY IS SAYING. CLMS CLUBS BEEN IN BOX AND WAITING FOR APPROX 6 MONTHS...PS	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998	19736	ALSO WHEN HE RETURNS HE REFUSES TO PAY FREIGHT SINCE HE DIDNT ORDER..PS	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998	19805	Melba does not wk her-#3523945jline busy.JQ	VP1	Meadowbrook Golf Club-Gainesville, FL
5/6/1998	19894	Spoke w/Marc--requested fax of inv#10021666 and he will mail ck today--faxed inv...lv	VP1	West Lake Country Club-Augusta, GA

Page 281 of 2117

ADAMS041074

**A. 23**

<i>Def customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
5/6/1998 18424	Buddy wts me to call next Wed for PTP payment and why JQ	VP1	Lexington Country Club-Lexington, KY
5/6/1998 18544	Spoke w/Brian and gave info concerning inv#10022160-he will research & call me back--explained order #1027666 on hold...kv	VP1	Smithfields Country Club-Easley, SC
5/6/1998 18711	CR MEM FOR ALL INVS CHARGED TAX	VP1	Mira Vista Country Club-Ft Worth, TX
5/6/1998 18711	ON ACT CR MEM FOR 450.14 IS FOR ALL INVS PAID INCLUDING THE TAX-EC-PULL CR MEM FOR LIST OF THESE INVS-EC	VP1	Mira Vista Country Club-Ft Worth, TX
5/6/1998 18890	contacted golf shop, but was told to contact Barry at 828-0431--attempted to contact--not in--lmtc.kv	VP1	Professional Golf Shop-Madison AL
5/6/1998 18890	Barry ci & stated that he would mail ck for inv#10019368 by Friday--explained order #1028930 on hold.kv	VP1	Professional Golf Shop-Madison AL
5/6/1998 19062	trans ck 1852 to cust 20306	VP1	
5/6/1998 19132	PER NANCY CK. TO BE MAILED THURS. #10746 FOR INV. #10019954. CR.	VP1	Cliffs Golf & Country Club-Landrum, SC
5/6/1998 19145	Get this Andrew called to cancel this order since our clubs are in Costco (not by our choice) in the Virginia area. I told Andrew that would be fine since he is on credit hold anyway and his now a COD account!	VP1	Pro Golf Discount-Fairfax, VA
5/6/1998 19146	It Laura: the ck 7835 never put in an appearance on her account. I will research. Customer is actually up to date.	VP1	Pro Golf Discount-Memphis, TN
5/6/1998 19163	SPOKE TO LEONA-SHE WILL OVER NIGHT CK TODAY FOR 38328.00 AND 534. NEXT WEEK. SAID SHE SHOULD HAVE AROUND 5000 DUE IN CREDITS FROM A PRICE CHANGE.	VP1	Oshmans Sporting Goods, Inc.-Houston, TX
5/6/1998 19163	Called Leona-LM on physical address--will call her again today for PTP amt sent; Glenda -SR- brought to att that on inv#10011690 02/02 wr pr chng for 175 steel TL(\$132 per club should be \$102); Cr Memo to be written up by SR through JQ-cr and turned in to	VP1	Oshmans Sporting Goods, Inc.-Houston, TX
5/6/1998 19163	Sherry-When talking to Leona I will relay matter JQ	VP1	Oshmans Sporting Goods, Inc.-Houston, TX
5/6/1998 19736	SMV	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998 19736	SMV MARK. CLMS HAS BEEN SMV JAY ABOUT 3 OR 4 TIMES ASKING THAT WE GIVE HIM RA# AS DIDNT ORDER AND WANTS TO RETURN. HE HAS REFUSED TO PAY ON THE OTHER AS HE CLMS DOESNT TRUST US. I TRIED TO EXPLAIN THAT IST. I NEED TO KNOW WHICH INVOICE HE WAS SPEAKING	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998 19736	ABOUT..HE WILL GET INFO AND I W/C/B...THIS GUY IS VERY UPSET AND IS NOT AT ALL BELIEVING WHAT S/R JAY IS SAYING..CLMS CLUBS BEEN IN BOX AND WAITING FOR APPROX 6 MONTHS...PS	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998 19736	ALSO WHEN HE RETURNS HE REFUSES TO PAY FREIGHT SINCE HE DIDNT ORDER..PS	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998 19805	Melba does not wk here-at#3323945;fine busy JQ	VP1	Meadowbrook Golf Club-Gainesville, FL
5/6/1998 19894	Spoke w/Mark--requested fax of inv#10021666 and he will mail ok today--faxed inv..kv	VP1	West Lake Country Club-Augusta, GA

<i>Date/Time</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
6/16/1998 8921	LMTc for Wanda about results twice Jq call tomo	VP1	Great Waters Golf Shop
6/16/1998 9157	ON INV.#10055286 WE CHARGED \$4 TOO MUCH ON SHIPPING & \$15 TOO MUCH ON THE PRICE OF THE CLUB. I WROTE UP A CREDIT MEMO FOR \$19.	VP1	Pro Golf Discount-Erie, PA
6/16/1998 10039	NACM RAN TODAY PER REQ BY VW FORWARDED	VP1	Chesapeake Bay Golf Shop-North East, MD
6/16/1998 10046	LMTc FOR KEN...PS	VP1	Coopers Golf Outlet-Burlington, WA
6/16/1998 10337	Spoke w/David--he now states that i must contact Allan at 703-761-1444--kv	VP1	Stoneleigh Golf Club-Round Hill, VA
6/16/1998 10342	SAW SHAWN..MIKE PLAYING GOLF..LMTc..PS	VP1	Johnson City CC-Johnson City, TN
6/16/1998 10361	MELINDA PHD. CLMS INV 54279 WAS QUOTED 107.00 INSTEAD OF 108.00. ALSO FRT OF 11.00. SAYS SHE DOESNT PAY MORE THAT 6.00 FOR ONE CLUB. TOLD HER TO SEND CK LESS 5.00 FRT AND 1.00 OVER-PRICED AND WE WILL W/O..PS	VP1	Special Tee Golf-Altamonte Springs, FL
6/16/1998 10362	GAVE TO SHERRY FOR LETTER AS HAS ANOTHER ACCT ALSO # 12349..PS	VP1	
6/16/1998 12017	Rita-PTP-CC-Visa for #10010485-\$4464.00.JQ	VP1	McGuire Golf Course-McGuire AFB, NJ
6/16/1998 12113	Spoke w/Frank--he will research inv#10030077 and call me back..kv	VP1	Race Brook Country Club-Orange, CT
6/16/1998 12220	REC 200.00 MO..PS	VP1	Kamaina Golf Shop-Honolulu, HI
6/16/1998 12296	Teresa cl to have inv#10025451 and inv#10017753 from dup acct c#17039 faxed to her--faxed invs...kv	VP1	New York Golf Ctr-LEE-Hicksville, NY
6/16/1998 12296	Teresa cl to have inv#10017753 & 10025451 (from dup acct C#17039) chnged to cc--submitted paperwork to Rowena to have \$5,753.17 chnged...kv	VP1	New York Golf Ctr-LEE-Hicksville, NY
6/16/1998 12309	submitted credit memo for inv#10052662 amt\$144.00--per pulled original order--this was a repair at no chng...kv	VP1	New York Golf Ctr-LEE-Hicksville, NY
6/16/1998 12349	SMV KEN.SAYS WILL SEE ROBERT WHEN HE SEES HIM..TOLD HIM URGENT MUST HAVE PH CALL..PS	VP1	Colonial Country Club-Jackson, MS
6/16/1998 12418	TRIED B/A..N/A..TO SHERRY FOR LETTER..PS	VP1	
6/16/1998 12418	Frank-PTP--will try thru 04/27-\$3272.25 and \$1192.21 in June if possible.FLU in July.JQ	VP1	Golf USA-Saginaw, MI
6/16/1998 12418	Had problem in rec faxes -finally rec them.FLU w/Frank next wk.JQ	VP1	Golf USA-Saginaw, MI
6/16/1998 12806	CALLED B/A. CLMS RECEIVER TAKEN OVER..PERSON TO CONTACT IS C.E. BOYD AT 770-509-8632..TRIED PH# LMTc ON AS..PS	VP1	Lanier Golf Center-Cumming, GA
6/16/1998 12823	06/16/98 JACOP CLD PUT INV 47714 ON INV FOR 1011.50. PMR	VP1	Roger Dunn Golf-Arroyo Grande, CA
6/16/1998 13037	06/16/98 CLD TT PETER SAID FAX INV TO HIM 24146 SAID FAXED INV B4 WERNT HIS REFAXING TODAY AND SAYS EMPIRE GOLF ON THIS INV. FAXING TDA. REL ORDERS TILL MATTER CLRD GOOD ACCT.PMR	VP1	Golf Town-Bayside, NY

<i>Customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
6/16/1998 13037	06/16/98 FAX NIMBR SAME PH# NOT TURNED TO FAX I AM MNG PD INV 24146 TDA AND ON INV SAID EMPIRE GOLF SO IDONT KNOW WHAT HE MEANT BY NOT HIS INV. PMR	VP1	Golf Town-Bayside, NY
6/16/1998 14095	RETURN CALL TO GORDY TO CK UP ON INV INFO..N/A..BWH	VP1	Bocall Country Club-Boca Raton, FL
6/16/1998 15069	submitted credit memo for inv#10017736 amt \$9.00--concerning cod chgs for inv#10012354 & 10017736..also submitted paperwork to have on acct applied to inv#10017736..kv	VP1	Nevada Bobs-Tustin, CA
6/16/1998 16341	LMTG FOR DAVID. OLD NOTES SHOWS THAT HE WAS RTNG 4 CLUBS AND WOULD SEND CK FOR DIFFERENCE..PS	VP1	Glenrochie Country Club-Arlington, VA
6/16/1998 16362	Charlie ci--he will mail half of bal. today and the other half to get to 0 bal. in 30days..kv	VP1	Warehouse Golf-Pigeon Forge, TN
6/16/1998 17041	spoke w/Brent concerning inv#10028741 & 10035013--he has junior golf right now--he will call back w/c info later this afternoon to have inv's chged..kv	VP1	Williams Country Club-Welton, WV
6/16/1998 17041	Brent ci to have inv#10028741 chged to cc--submitted paperwork to Rowena to have 1,241.96 chged...also he requested to have 'on acct' applied to inv#10035013--submitted paperwork to have on acct applied...also he stated that he will be a little late	VP1	Williams Country Club-Welton, WV
6/16/1998 17041	paying inv#10044308 due to bad weather--just needs a little extra time..kv	VP1	Williams Country Club-Welton, WV
6/16/1998 17117	LMTG FOR JERRY..PS	VP1	Nevada Bobs-Bloomington, IN
6/16/1998 17131	FAX INFO TO KATHY..BWH	VP1	BIGHORN-Palm Desert, CA
6/16/1998 17326	order on 5/6 being picked up 5/1 order in request for 60 days	VP1	Pyramid Discount Golf-Horn Lake, MS
6/16/1998 17330	WE OVERCHARGED ON SHIPPING ON INV.#10050228 BY \$3.25. I WROTE UP A CREDIT MEMO FOR THAT AMOUNT & INFORMED SUZIE, THE SHOP MANAGER.	VP1	Toms Golf Shop-Floyds Knobs, IN
6/16/1998 17360	LMTG FOR LAURA..PS	VP1	
6/16/1998 17690	LMTG for Bobbie sd rec invoices but no statement; PTP-\$236.03 in June-gave me address--will ck on it..JQ	VP1	Hidden Valley Golf Facility-Wind Gap, PA
6/16/1998 18251	Kathleen not there--need to call on Friday for Kathy..JQ	VP1	Golf Trader-Tamarac, FL
6/16/1998 18329	CHARGED TAX ON INV # 45794..BWH	VP1	Pebble Creek CC-College Station, TX
6/16/1998 18329	sent cust tax cert w/letter	VP1	Pebble Creek CC-College Station, TX
6/16/1998 18439	SPOKE TO ROB AND TOLD HIM PRE-PAY. HE WILL OVERNIGHT CK	VP1	Golf Country-Staton Island, NY
6/16/1998 18487	REC'D NEW ADDRESS CHANGE FROM KEVIN BRYANT..NEW ADD/2949 CANTON HWY STE 400 MARIETTA, CA 90066. OLD ADD/2800 CANTON HWY STE K1400..BWH	VP1	Bryant Boys Golf-Marietta, GA
6/16/1998 18589	Vlr #-phone messed up..Call tomorrow..JQ	VP1	Golf USA-Olathe, KS
6/16/1998 18736	Jill..PTP..all invoices in March-\$3609.12 on 06/22..JQ	VP1	Golf USA-Twin Falls, ID



**A. 24**

Exhibit VII

DATE	NUMBER OF CLUBS SOLD ARRIVING IN COSTCO WAREHOUSE <sup>1</sup>	NUMBER OF CLUBS SOLD BY COSTCO <sup>2</sup>	COMPLAINTS TO ADAMS GOLF REGARDING COSTCO	SOLUTIONS IMPLEMENTED BY ADAMS GOLF	NUMBER OF CLUBS SOLD BY ADAMS GOLF
2/16/98	440 (Canada)				
3/3/98	200 (US)				
	60 (Canada)				
3/15/98 for 2/16/98- 3/15/98]		1 (Canada)			
3/17/98	2,883 (US)				
3/23/98			WDC MacKenzie first reports the appearance of Adams Golf clubs in Canadian Costco (ADAMS 9325)		
3/26/98	492 (Canada)			Adams Golf monitors large orders for potential grey marketing (ADAMS 1323)	
3/27/98				Adams Golf stopped a large order from going to King Pin in Flint, MI for fear of potential grey marketing (ADAMS 1323)	
3/31/98					188,898
4/12/98 for 3/16/98- 4/12/98]		223 (Canada)			

<sup>1</sup> The counts in this column are from the document Costco produced, showing when its warehouses received Adams Golf Tight Lies clubs. COST 0001-0008

<sup>2</sup> The counts in this column are from Costco's records showing Costco sales of Adams Golf Tight Lies Clubs. COST 0024, 0041, 0050-0052.

<sup>3</sup> ADAMS 28669.

DATE	NUMBER OF CLUBS ARRIVING IN COSTCO WAREHOUSE	NUMBER OF CLUBS SOLD BY COSTCO	COMPLAINANTS TO ADAMS GOLF REGARDING COSTCO	SOLUTIONS IMPLEMENTED BY ADAMS GOLF	NUMBER OF CLUBS SOLD BY ADAMS GOLF
4/13/98			WDC Mackenzie complains to Adams Golf's new director of international sales, Chris Beebe, about the presence of Adams Golf clubs in Canadian Costco (MCK 93 - MCK 96)		
4/14/98			WDC Mackenzie sends a follow-up fax to Chris Beebe, reminding him that the Adams clubs were first seen in Costco around March 23 (ADAMS 9325 - ADAMS 9328)		
4/15/98			WDC Mackenzie sends memo to Chris Beebe regarding the impact of Costco on Mackenzie's sales of Adams Golf's clubs (MCK 87 - MCK 89)	Chris Beebe sends a memo to Mark Gonsalves, discussing the dangers of gray marketing and the solutions that other golf retailers have employed to combat the problem (ADAMS 5045)	
4/28/98			WDC Mackenzie tells Chris Beebe on a visit to Canada that about 600 woods made it into Canadian Costco, although most Costcos had run out of stock by this point (ADAMS 9405 - ADAMS 9410)		
5/6/98			Pro Golf Discount in Fairfax, VA cancelled order because Adams clubs are in Costco (ADAMS 041074)	Chris Beebe sends a letter to all international distributors, threatening to terminate any who participate in gray marketing, and offering to match Costco's price for any thinking of selling to Costco (MCK 81 - MCK 82)	
5/7/98			Adams Golf clubs found in Costco in Modesto, CA (ADAMS 1504)		

DATE	NUMBER OF CLUBS ARRIVING IN COSTCO WAREHOUSE	NUMBER OF CLUBS SOLD BY COSTCO	COMPLAINTS TO ADAMS GOLF REGARDING COSTCO	SOLUTIONS IMPLEMENTED BY ADAMS GOLF	NUMBER OF CLUBS SOLD BY ADAMS GOLF
5/10/98 for 4/13/98- 5/10/98		649 (U.S.) 160 (Canada)			
5/11/98	1,500 (US)			Barney Adams writes to Jim Siegal of Costco, demanding that Costco cease selling Adams clubs, and asking to know where Costco is acquiring the clubs (ADAMS 1505)	
5/18/98	300 (US)				
5/20/98	225 (US)				
5/21/98			Pro Golf complains that Costco is selling Adams Golf product (ADAMS 2471)	Mark Gonzalez sends a letter to Paul McCormick at Pro Golf, explaining that Adams Golf does not sell to Costco, and that Adams Golf is looking for ways to stop its product from being in Costco. (ADAMS 2471) Gonzales also writes Adams Golf's sales department, asking them to pass on this same message to any customer's complaining about Costco (ADAMS 2470)	
5/22/98				Costco's Patrick Callan responds to Barney Adams's letter, saying that Costco will not reveal its source, other than to say that it is a US company (ADAMS 1501 - ADAMS 1503) Barney Adams sends a letter to Patrick Callan, demanding that Costco identify the retailer that had sold Adams Golf clubs to it (ADAMS 1499)	

DATE	NUMBER OF CLUBS ARRIVING IN COSTCO WAREHOUSE	NUMBER OF CLUBS SOLD BY COSTCO	COMPLAINTS TO ADAMS GOLF REGARDING COSTCO	SOLUTIONS IMPLEMENTED BY ADAMS GOLF	NUMBER OF CLUBS SOLD BY ADAMS GOLF
5/28/98				Patrick Callans of Costco responds to Barney Adams's letter, providing Adams with the certificate of authenticity signed by the retailer that supplied Costco, but still refusing to reveal the retailer's identity (ADAMS 1498 - ADAMS 1500)	
5/29/98	2,000 (US)		WDC Mackenzie reports that a new shipment of Adams Golf clubs have hit Canadian Costcos (ADAMS 1497)		
6/1/98			Centerville Golf in Centerville, VA complained about Adams clubs in Costco (ADAMS 041242)	Barney Adams writes another letter to Patrick Callans of Costco, demanding that Costco identify the retailer providing Costco with Adams Golf clubs (ADAMS 1495)	
6/7/98 [for 5/11/98-6/7/98]		1625 (U.S.) 158 (Canada)			
6/8/98			Martfield Golf in Fairfax, VA called regarding Adams clubs seen at Costco (ADAMS 041266)	Adams Golf implements a price-matching policy in Canada that allows the retailers to match Costco's price without giving up their margin for any customers that mentions that Adams clubs are available at Costco (MCK 1053 - MCK 1055)	
6/9/98				Adams Golf issues a press release announcing that the Company has taken legal action against Costco (ADAMS 1477)	

DATE	NUMBER OF CLUBS ARRIVING IN COSTCO WAREHOUSE	NUMBER OF CLUBS SOLD BY COSTCO	COMPLAINTS TO ADAMS GOLF REGARDING COSTCO	SOLUTIONS IMPLEMENTED BY ADAMS GOLF	NUMBER OF CLUBS SOLD BY ADAMS GOLF
6/1/98			Jack Tone Golf in Rippon, CA called regarding Adams clubs in Costco (ADAMS 041334)	Adams Golf files a Bill of Discovery in Texas state court against Costco (ADAMS 1474 - ADAMS 1493)	
6/24/98			Green River Golf Club in Corona, CA called to complain about clubs in Costco (ADAMS 041435)		
6/25/98			Pro Golf Discount in Boise, ID called regarding their problems selling clubs due to Costco (ADAMS 041441)		
6/26/98			Centerville Golf Center in Centerville, VA called to complain again about Costco (ADAMS 041443)	Barney Adams writes letters to Larry Taro of Mammet Golf and Don Straka of King Par Golf, reminding them of their retail agreements with the Company and the fact that it only allows him to sell to end-users. Adams asks Taro and Straka to sign and return copies of this distribution policy to the Company. (ADAMS 1457; ADAMS 1473)	
6/29/98			Tiemeyer Golf in Walnut Creek, CA called regarding a customer returning clubs after seeing Adams Golf clubs in Costco (ADAMS 041454)	Adams Golf internal minutes indicate tracing of shipments to Mammet (ADAMS 9071)	
6/31/98					268,598

DATE	NUMBER OF CLUBS ARRIVING IN COSTCO WAREHOUSE	NUMBER OF CLUBS SOLD BY COSTCO	COMPLAINTS TO ADAMS GOLF REGARDING COSTCO	SOLUTIONS IMPLEMENTED BY ADAMS GOLF	NUMBER OF CLUBS SOLD BY ADAMS GOLF
Pre-IPO total as of 6/31/98					457,496
7/3/98			Customer requests Adams Golf hat offer after buying clubs at a Costco in Livonia, MI (ADAMS 1447)		
7/5/98 for 6/8/98- 7/5/98]		926 (US) 173 (Canada)			
Pre-IPO total as of 7/5/98		3200 (US) 715 (Canada)			
7/8/98	269 (US)		Golf from In McLaren, VA called regarding a credit for clubs they had purchased at Costco (ADAMS 041514)		
Pre-IPO total as of 7/8/98	992 (US) 7377 (Canada)				
7/16/98				At a staff meeting, the Company discusses potentially implementing a satillation program for Adams Golf clubs (ADAMS 9088 - ADAMS 9091)	
7/21/98	1,236 (US)				
7/22/98	1,795 (US)				
7/27/98			Foster's Discount Golf in Belingham, WA called to complain about problems with sell-through due to Adams clubs in Costco (ADAMS 041654)		
7/29/98	440 (US)				
8/2/98 for 7/6/98- 8/2/98]		2029 (US) 75 (Canada)			

**A. 25**



2801 East Plano Parkway  
 Plano, Texas 75074  
 Phone: 972-673-9000 Fax: 972-398-7970

**Adams Golf, Inc.**

# Fax

<b>To:</b> Paul McCormick	<b>From:</b> Mark D. Gonsalves
<b>Fax:</b> 248-737-9077	<b>Pages:</b> 1, including this one.
<b>Phone:</b> 248-737-0553	<b>Date:</b> 05/21/98
<b>Re:</b> Costco	<b>CC:</b> Adams Inside Sales and RAC Staff

Dear Paul,

As discussed, I wanted you, your staff and your franchisees to know Adams has not sold, and will not sell, our Tight Lies clubs to Costco. Our clubs have ended up at a number of Costco and Price Club's (both the same parent company) without our authorization.

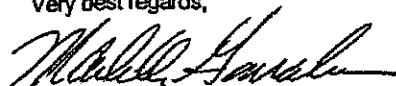
We are working very hard to identify the source who is supplying Costco our product. We are also looking into the legal remedies we have with Costco for selling our product and disrupting our retail trade, such as yourself.

Pro Golf customers should be aware Costco is not an authorized dealer of Adams product, and as such, have no implied warranty coverage should a club be defective. Your customers should also note that although Costco is selling the clubs now, we will stop them. It will just take some time. Having said this, many of the Costco stores do not have the right loft or flex in stock for a customer, nor do they have trained personnel who can help fit the player to the right club.

I would hope with all my heart Pro Golf customers, and all golfers, consider the ramifications of buying product from an unauthorized dealer. You and your stores have worked hard to develop your expertise in golf and in golf equipment. Your stores work hard to invest in products your customers can benefit from and are there to support them when a product may not be performing as anticipated. I feel strongly they consider what it means to support their Pro Golf store. With better support, the stores can even do more for customers to enjoy this great game.

I am truly sorry for any disruption to your business the Costco incident may have caused. Thank you for your understanding and know we are doing everything to correct the problem.

Very best regards,



Mark D. Gonsalves  
 Vice President  
 Sales & Marketing

ADAMS 002471

**A. 26**

**Adams Golf, Inc.**

# Memo

**To:** Ann Neff  
**From:** Mark D. Gonsalves  
**CC:**  
**Date:** 05/08/98  
**Re:** Costco

---

Ann,

Barney asked me to provide you the following information on Costco:

Buyer for Costco for Adams clubs: Mark Fenick, buyer #174, phone # 425-313-8100

Costco's Adams Tight Lies Item # 025926

Clubs are sold to Costco through National Clothing who receives the clubs from US Merchants out of Thousand Oaks, CA (310-885-1948, Jeff Pierce).

Costco's Corporate Address is: 999 Lake Drive, Issaquah, WA 98027

CEO is Jim Sinegal

Costco's corporate phone number is 425-313-8100.

Let me know if I can help gather any additional information.



ADAMS 001506

**A. 27**

JUL-06-2005 13:22

BERGER &amp; MONTAGUE P.C.

P.04

2801 East Plano Parkway  
 Plano, Texas 75074  
 www.AdamsGolf.com  
 FAX: 972-398-8818  
 800-622-0609  
 Tel: 972-673-9573



From the desk of  
 B.H. (Barney) Adams

## Memo

To: Mark Gonsalves

Date: May 26, 1998

RE: COSTCO

As we proceed, understand that we're taking on the 800# gorilla and they've done this 1,000 times. In their response to my letter they say they buy clubs from a duly authorized Adams distributor who has represented that he has the right to resell anything he buys to whomever he chooses at any price.

- A. Is there any language in our purchase orders that precludes selling to other retailers?
- B. I know we encourage observing the retail price and I think we request but can't demand (correct).
- C. I realize we have a strong business agreement; I'm looking for anything that isn't verbal or natural course of business.

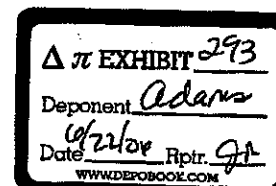
At the end of the day we expose X source (or sources) and they say, "I buy Adams, I pay my bills. They never said I couldn't sell to Costco or anyone else, it's my decision." Given all the logic, do we have any technical grounds? (What if it were WDC Mackenzie -- does their contract read Canada only, etc.?)

AND: Let's say there are 1 - 2,000 clubs in the Costco system (who knows?). We win -- they send them back to their source who wants to send them back to us (in various forms of "newness"). What do we do if the source:

- A. Has paid their bill;
- B. Hasn't.

No matter what happens, this product is going to get dumped and I'm not too anxious to get back \$250K worth of clubs!

BHA:afn



ADAMS028450

**A. 28**

Adams Golf, Inc.

# Memo

To: Sherry Braby, Jim Farrell, Kayla Mitchell, Max Pugilelli, Chris Beebe, Cindy Hemington, Dick Murtand, Walt DeValt

From: Mark D. Gonsalves *MDG*

CC:

Date: 08/02/98

Re: Costco

In an attempt to keep everyone posted, we are experiencing transshipment of our Tight Lies clubs into Costco and Price Club (same parent company). This is a serious situation because Costco is selling our clubs at deep discounts- \$149.99 in graphite, \$109.99 in steel. This is just a few dollars over our wholesale price.

Our retailers who have locations in areas where Costco has our clubs are being seriously effected, as is our brand integrity. We DO NOT sell to Costco. They are an unauthorized account. Any customer who asks should be told we are working hard on the problem. We are attempting to identify the source of the clubs to Costco. We are looking into our legal rights with Costco as well. In the interim, we are scrutinizing each large order that is written.

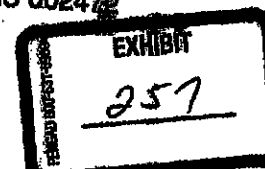
Our customers need to know the following:

- We do not sell to Costco
- We are investigating how Costco is receiving clubs
- The clubs at Costco carry no implied warranty because Costco is an unauthorized account
- Costco staff is not trained to help golfers identify the correct clubs (loft, flex, shaft material)
- Costco has very limited inventory in most locations
- We are looking at ways to identify our clubs to track them (i.e. serial numbers)

Please direct any customer who want to discuss this situation to me. I will explain more fully our position if needed.

Any ideas you may have on how we can solve this riddle are appreciated. Let your staff know what is taking place at Costco as well.

ADAMS 002472



**A. 29**



gived Jul 15 02:36PM (06:02) on FAX HOU line [8] for 'GW0400'  
JUL 15 '98 12:33 FR COSTCO LEGAL

WORKSRV3 printed FAX35ACBFFB1AF6 on Jul 15 02:46PM 1998 \* Pg 4/17  
425 313 8114 TO 917137582346 P.04/17

CAUSE NO.

219-922-98

ADAMS GOLF, LP LIMITED, A TEXAS  
LIMITED PARTNERSHIP,  
Plaintiff,

v.

COSTCO COMPANIES, INC. d/b/a  
COSTCO WHOLESALE,  
Defendant.

IN THE DISTRICT COURT

JUDICIAL DISTRICT

COLLIN COUNTY, TEXAS

**BILL OF DISCOVERY**

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW Adams Golf, LP, Limited ("Adams" or "Plaintiff"), Plaintiff in the above-styled and numbered cause and brings this Bill of Discovery pursuant to Rule 737 of the Texas Rules of Civil Procedure against Defendant Costco Companies, Inc. d/b/a Costco Wholesale ("Costco" or "Defendant"), and would show the Court the following:

**PARTIES**

1. Plaintiff Adams is a limited partnership, organized and existing under the laws of the State of Texas, having its principal place of business at 2901 Summit Avenue, Suite 100, Plano, Texas 75074.

2. Adams alleges upon information and belief that Costco is a Washington corporation with its principal place of business at 999 Lake Drive, Issaquah, Washington 98027. Adams further alleges upon information and belief that Costco does business in this judicial district and in interstate commerce, and makes solicitations to customers in the County of Collin, State of Texas. Costco is engaged in business in Texas and does not maintain a regular place of business in Texas and does not have a registered agent in Texas. This lawsuit arises out of Costco's business in Texas. Thus, Costco may be served pursuant to the Long

FILED  
29 JUN 11 PM 3:31  
DISTRICT CLERK  
COLLIN COUNTY, TEXAS  
By *[Signature]*

FILED  
COUNTY CLERK AT LAW  
By *[Signature]* Clerk

AH 000105

Received Jul 15 02:36PM (06:02) on FAX HOU line (8) for 'GW0400'  
JUL 15 '98 12:34 FR COSTCO LEGAL

WORKSRV3 printed FAX35ACBFFB1AF6 on Jul 15 02:46PM 1998 \* Pg 5/17  
425 313 8114 TO 917137582346 P.05/17

Arm Statute CPRC §17.041 *et seq.*, with substitute service on the Secretary of State for the State of Texas, Statutory Documents Section, 1019 Brazos Street, Rudder Building, Room 214, Austin, Texas 78701, P.O. Box 12887, Austin, Texas 78711-2889.

### FACTS

3. Adams designs, develops, markets and distributes high quality, innovative golf clubs. Adams' primary product currently is its Tight Lies® all metal woods. (the "Clubs").

4. Adams sells all of its Clubs either directly to the public through its representatives or to retailers who are under contract.

5. Adams has an advertised pricing policy which is part of all of its contracts with retailers (the "Policy"). That Policy governs its relations with all of its distributors and retailers. This Policy spells out at what prices sellers of Adams products may sell the Clubs. The Policy also states that Adams will only do business with sellers that comply with the guidelines. Additionally, the Policy restricts sales of golf clubs by retailers to end-user customers only. In the Policy, Adams Golf also reserves the right to choose whom it will do business with, and the right to accept or reject any order.

6. Adams has recently discovered that Costco, a bargain retail company with which Adams has not agreed to sell its Clubs, is selling the Clubs at some of its Costco stores. Because Adams is not selling directly to Costco, and because the Policy prohibits sales to other retail entities, it is evident that Costco has purchased the Clubs from a company in violation of the Policy.

7. Adams has been unable to determine the identity of the company who is supplying the Clubs to Costco and who is therefore, violating the Policy. Costco has refused to divulge the identity of that company. The identity of the company cannot be determined from

Received Jul 15 02:36PM (06:02) on FAX HOU line (8) for 'GW0400'  
JUL 15 '98 12:34 FR COSTCO LEGAL

WORKSRV3 printed FAX35ACBFFB1AF6 on Jul 15 02:46PM 1998 \* Pg 6/17  
425 313 8114 TO 917137582346 P.06/17

any other source. Therefore, Adams' only recourse is to ask this Court to permit discovery to determine the company's identity so that Adams can pursue its legal rights against that company in order to protect itself.

**RELIEF REQUESTED**

8. Pursuant to Rules 737 and 215 of the Texas Rules of Civil Procedure, Plaintiffs request that this Court issue an order as follows:

(a) Compelling Defendant to produce documents requested in the Notice of Deposition of Costco's Corporate Representative and Subpoena Duces Tecum, attached hereto as Exhibit "A";

(b) Compelling Defendant to answer the interrogatories attached hereto as Exhibit "B";

(c) Compelling Defendant's Corporate Representative to appear for deposition in order to clarify and verify its responses to the Request for Production and Interrogatories;

(d) For such other and further relief, both general and special, at law and in equity, to which Plaintiffs may show themselves justly entitled.

Respectfully submitted,



JACQUELINE I. VALENZUELA

State Bar No. 00790114

LARA REENAN

State Bar No. 24002814

ARTER & HADDEN LLP

1717 Main Street, Suite 4100

Dallas, Texas 75201-4605

Telephone: (214) 761-2100

Facsimile: (214) 741-7139

ATTORNEYS FOR PLAINTIFF

Received Jul 15 02:36PM (06:02) on FAX HQ line [8] for 'GW0400'  
JUL 15 '98 12:34 FR COSTCO LEGAL

WORKSRV3 printed FAX35ACBFFB1AF6 on Jul 15 02:46PM 1998 \* Pg 7/17  
425 313 8114 TO 917137582346 P.07/17

CAUSE NO. \_\_\_\_\_

ADAMS GOLF, LP LIMITED, A TEXAS  
LIMITED PARTNERSHIP,  
Plaintiff,

v.

COSTCO COMPANIES, INC. d/b/a  
COSTCO WHOLESALE,  
Defendant.

§ IN THE DISTRICT COURT

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§

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\_\_\_\_\_ JUDICIAL DISTRICT

COLLIN COUNTY, TEXAS

**PLAINTIFF'S NOTICE OF DEPOSITION DUCES TECUM  
TO COSTCO WHOLESALE**

TO: Defendant Costco Companies, Inc. d/b/a Costco Wholesale, 999 Lake Drive, Issaquah, Washington, 98027.

Defendant is hereby notified pursuant to the Texas Rules of Civil Procedure that Plaintiff will take the deposition of Defendant in connection with the above numbered and entitled cause.

Defendant is hereby directed to designate a person or persons who will testify concerning the following matters: (1) the documents requested in the duces tecum attached hereto; and (2) the purchase by Defendant of any items manufactured or thought to be manufactured by Plaintiff.

Defendant is further instructed to produce the documents requested in Exhibit "A" attached hereto, on which examination will be conducted. The deposition will occur at a mutually agreeable time and place, not to exceed 45 days from this notice at the offices of Arter & Hadden, LLP, 1717 Main Street, Suite 4100, Dallas, Texas 75201.

As used herein, the following words, terms, and phrases shall have the meaning indicated below:

1. "Plaintiff" or "Adams." "Plaintiff" or "Adams" as used herein refers to Adams Golf LP, Limited, and all persons acting and purporting to act upon its behalf.

102368.1

1.



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425 313 8114 TO 917137582346 P.08/17

2. "Defendant," "Costco," "you," "your" or "yours." "Defendant," "Costco," "you," "your" or "yours," as used herein refers to Defendant Costco Companies, Inc. d/b/a Costco Wholesale, and all persons acting and purporting to act upon its behalf, including, but not limited to, all past and present employees, officers, directors, attorneys, consultants, agents, adjusters or any other representatives.

3. "Document" or "documents." "Document" or "documents" as used herein refers to all written, printed or graphic matters, drafts, originals, copies, non-conforming copies which contain deletions, insertions, hand-written notes or comments, however produced or reproduced and to any other means of retention of information, including without limitation all letters, correspondence, records of conferences, memoranda, telegrams, stenographic or hand-written notes, summaries, telephone logs and records, teletypes, bank checks, bank deposits and withdrawal slips, bank credit and debit memoranda, bank drafts, bank statements, telexes, private wire messages, communications, desk calendars, diaries, appointment books, agendas, meetings, conversations, schedules, reports, studies, appraisals, analysis lists, surveys, budgets, financial statements, financial projections, financial calculations, contracts, agreements or proposed agreements, notice of wired transfer of funds or other notices, canceled checks, periodicals, charts, graphs, interviews, speeches, transcripts, depositions, press releases, brochures, books of account, affidavits, communications of government bodies, invoices, notices of minutes of meetings of board of directors, and audit committees, and financial committees, and executive committees, interoffice communications, results of investigations, working reports, newspaper or magazine articles, records of payment, releases, receipts, computer data, maps, tax returns, vouchers, microfilm, videotapes, photographs, phone records, tape recordings, wire recordings, diagrams, computer tapes, projections, microfiche and other data computations and papers similar to any of the foregoing and other writings of every kind and description (whether or not actually used) and other data computations from which information can be obtained.

Additionally, "document" and "documents" shall include documents considered to be privileged by you, which shall be identified, in order to assist Plaintiff and the Court in determining whether privilege may be properly claimed, by stating the subject matter of each such document, the names of all persons preparing and receiving the document, the names of all persons to whom the document was distributed and the privilege claimed, and the reasons which justify the assertion of privilege by you should be included in your answer herein.

4. "Identify." "Identify" or any form of that word, shall have the following meanings and include the following instructions: (a) "identify" when used in reference to a natural person, means to state (i) the full name, (ii) present or last known complete residential and business address and phone numbers, and (iii) the name of the current or last known employer; (b) "identify" when used in reference to an entity, means to state (i) the current name for the entity, (ii) its principal home office address and telephone number, (iii) the state of legal formation, (iv) identify all officers, directors, partners and/or principals, and

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- (v) state the name of the natural person with whom most of the communications with such entity are made or the name of the natural person whom the party responding to these interrogatories believes would have personal knowledge regarding the information requested in the interrogatory; and (c) "identify," when used in reference to a document, means to state (i) the name, date and subject of the document, (ii) the type of document (e.g., letter, memorandum, note, report), (iii) the identity of the author and all recipients of the document, (iv) the identity of the custodian or possessor of the document or a copy thereof, and (v) the location of the document or a copy thereof.
5. "Person" or "persons." "Person" or "persons" as used herein shall include natural persons, male or female, in any capacity whatsoever, and all types and kinds of businesses or other entities, including, but not limited to, public or private corporations, partnerships, joint ventures, firms, voluntary or unincorporated associations, trusts, estates, proprietorships or government agencies.
  6. "Relate to" or "relating to." "Relate to" or "relating to" as used herein shall include referring to, alluding to, responding to, concerning, connected with, commenting on, in respect of, in respect to, about, regarding, discussing, describing, measuring, reflecting, supporting, analyzing, explaining, constituting, evidencing, or pertaining to.
  7. "Evidence" or "evidencing." "Evidence" or "evidencing" as used herein means tending to show, in any probative manner, the existence or nonexistence of any matter.
  8. "Concerning" or "concern." "Concerning" or "concern" as used herein shall include relating to, pertaining to, describing, evidencing, involving or constituting.
  9. "Describe." "Describe," or any form of that word, as used herein shall have the following meanings and include the following instructions: (a) "describe" shall generally mean to describe, explain, illustrate, represent or characterize; (b) "describe" when used in reference to a transaction, event or activity means to state (i) the identity of each person who participated in or was present during the transaction, event or activity, (ii) the location of the transaction, event or activity, and (iii) the date of the transaction, event or activity; and (c) "describe" when used in reference to a communication means to state (i) the identity of each person who participated in or was present when the communication was made, (ii) the date of the communication, (iii) the substance and subject matter of the communication, and (iv) identify all documents relating to or evidencing the communication.
  10. "Communication" or "communications." "Communication" or "communications" as used herein means any contract or act by which information or knowledge is transmitted or conveyed between two or more persons and includes, without limitation: (a) written contacts (whether by letter, memoranda, telegram, telex or other documents); (b) oral contacts (whether by face-to-face meetings, telephone conversations or otherwise); and

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(c) nonverbal acts intended to communicate or convey any meaning, understanding or other message.

11. The word "or" means and/or and the word "and" means and/or.

12. Each of the words "each," "any" and "all" mean each, any and all.

13. "Fact" "Fact" as used herein refers to and includes all circumstances, events, and evidence pertaining to or touching upon the items in question.

14. "Clubs" Clubs as used herein means Adams Golf Tight Lies® products.

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Exhibit A

**PLAINTIFF'S FIRST REQUEST FOR PRODUCTION TO DEFENDANT**

**REQUEST NO. 1:** Any written, verbal or any other kind of statement made to you by the Company that provides Costco with the Clubs. For purposes of this request, a statement previously made is (a) a written statement signed or otherwise adopted or approved by the person making it, or (b) a stenographic, mechanical, electrical or other type of recording, or any transcription thereof which is a substantially verbatim recital of a statement made by the person and contemporaneously recorded.

**REQUEST NO. 2:** Any and all documents concerning, demonstrating, reflecting, relating to how Costco obtains or obtained the Clubs.

**REQUEST NO. 3:** Any and all contracts or agreements between any two of the following: a) Adams; b) Costco; and c) any company who provides or provided Costco.

**REQUEST NO. 4:** Any and all documents which reference, pertain or relate to Adams.

**REQUEST NO. 5:** Any and all documents which reference, pertain or relate to the Clubs.

**REQUEST NO. 6:** Any and all documents which reference, pertain or relate to the name of any company who provides or ever provided Costco with the Clubs.

Respectfully submitted,

  
JACQUELINE I. VALENZUELA

State Bar No. 00790114

LARA REENAN

State Bar No. 24002814

ARTER & HADDEN LLP

1717 Main Street, Suite 4100

Dallas, Texas 75201-4605

Telephone: (214) 761-2100

Facsimile: (214) 741-7139

ATTORNEYS FOR PLAINTIFF



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CAUSE NO. \_\_\_\_\_

ADAMS GOLF, LP LIMITED, A TEXAS  
LIMITED PARTNERSHIP,  
Plaintiff,

v.

COSTCO COMPANIES, INC. d/b/a  
COSTCO WHOLESALE,  
Defendant.

§ IN THE DISTRICT COURT  
§  
§  
§  
§ JUDICIAL DISTRICT  
§  
§  
§  
§ COLLIN COUNTY, TEXAS

**PLAINTIFF'S FIRST SET OF INTERROGATORIES  
TO COSTCO WHOLESALE**

TO: Defendant Costco Companies, Inc. d/b/a Costco Wholesale, 999 Lake Drive, Issaquah,  
Washington, 98027.

**I GENERAL INSTRUCTIONS**

**STATUTORY AUTHORITY**

The party represented by the undersigned attorneys are sending the attached questions to  
you under the provisions of Rule 168 of the Texas Rules of Civil Procedure.

**TIME FOR ANSWERING INTERROGATORIES**

Pursuant to TEX. R. CIV. P. 168, Plaintiff, Adams Golf, LP Limited, requests that  
complete and responsive answers to these questions be received within 30 days after hand  
delivery service, or within 33 days after U.S. Mail delivery service, of these questions.

**INSTRUCTIONS FOR ANSWERING**

In answering these questions, please furnish all of the information available to you,  
including information in the possession of your attorneys or their investigators, and all persons  
acting on your behalf, and not merely such information known of your own personal knowledge.

**PLAINTIFF'S FIRST SET OF INTERROGATORIES TO DEFENDANT - Page 1**

**EXHIBIT**

**B**

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If you cannot answer the question in full after exercising due diligence to secure the information, say so in your answer, and to the extent possible, answer stating whatever information or knowledge you have.

If any interrogatory is not answered through the claim of privilege, including the work product doctrine, state the claim of privilege or other reason for answering with specificity and provide all information necessary to evaluate the claim of privilege, including, without limitation, the date of the communications and the subject matter therein, and the identity of all persons to whom any portion of the contents of the communications have been disclosed. Such information should be provided in a manner sufficient to allow it to be described to the court for ruling on the privilege or other reason asserted.

## II. DEFINITIONS

As used herein, the following words, terms, and phrases shall have the meaning indicated below:

1. "Plaintiff" or "Adams." "Plaintiff" or "Adams" as used herein refers to Adams Golf, LP Limited, and all persons acting and purporting to act upon its behalf.
2. "Defendant," "Costco," "you," "your" or "yours." "Defendant," "Costco," "you," "your" or "yours," as used herein refers to Defendant Costco Companies, Inc. d/b/a Costco Wholesale and all persons acting and purporting to act upon its behalf, including, but not limited to, all past and present employees, officers, directors, attorneys, consultants, agents, adjusters or any other representatives.
3. "Document" or "documents." "Document" or "documents" as used herein refers to all written, printed or graphic matters, drafts, originals, copies, non-conforming copies which contain deletions, insertions, hand-written notes or comments, however produced or reproduced and to any other means of retention of information, including without limitation all letters, correspondence, records of conferences, memoranda, telegrams, stenographic or hand-written notes, summaries, telephone logs and records, teletypes, bank checks, bank deposits and withdrawal slips, bank credit and debit memoranda, bank drafts, bank statements, telexes, private wire messages, communications, desk calendars,

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diaries, appointment books, agendas, meetings, conversations, schedules, reports, studies, appraisals, analysis lists, surveys, budgets, financial statements, financial projections, financial calculations, contracts, agreements or proposed agreements, notice of wired transfer of funds or other notices, canceled checks, periodicals, charts, graphs, interviews, speeches, transcripts, depositions, press releases, brochures, books of account, affidavits, communications of government bodies, invoices, notices of minutes of meetings of board of directors, and audit committees, and financial committees, and executive committees, interoffice communications, results of investigations, working reports, newspaper or magazine articles, records of payment, releases, receipts, computer data, maps, tax returns, vouchers, microfilm, videotapes, photographs, phone records, tape recordings, wire recordings, diagrams, computer tapes, projections, microfiche and other data computations and papers similar to any of the foregoing and other writings of every kind and description (whether or not actually used) and other data computations from which information can be obtained.

Additionally, "document" and "documents" shall include documents considered to be privileged by you, which shall be identified, in order to assist Plaintiff and the Court in determining whether privilege may be properly claimed, by stating the subject matter of each such document, the names of all persons preparing and receiving the document, the names of all persons to whom the document was distributed and the privilege claimed, and the reasons which justify the assertion of privilege by you should be included in your answer herein.

4. **"Identify."** "Identify" or any form of that word, shall have the following meanings and include the following instructions: (a) "identify" when used in reference to a natural person, means to state (i) the full name, (ii) present or last known complete residential and business address and phone numbers, and (iii) the name of the current or last known employer; (b) "identify" when used in reference to an entity, means to state (i) the current name for the entity, (ii) its principal home office address and telephone number, (iii) the state of legal formation, (iv) identify all officers, directors, partners and/or principals, and (v) state the name of the natural person with whom most of the communications with such entity are made or the name of the natural person whom the party responding to these interrogatories believes would have personal knowledge regarding the information requested in the interrogatory; and (c) "identify," when used in reference to a document, means to state (i) the name, date and subject of the document, (ii) the type of document (e.g., letter, memorandum, note, report), (iii) the identity of the author and all recipients of the document, (iv) the identity of the custodian or possessor of the document or a copy thereof, and (v) the location of the document or a copy thereof.

5. **"Person" or "persons."** "Person" or "persons" as used herein shall include natural persons, male or female, in any capacity whatsoever, and all types and kinds of businesses or other entities, including, but not limited to, public or private corporations, partnerships, joint ventures, firms, voluntary or unincorporated associations, trusts, estates, proprietorships or government agencies.

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6. "Relate to" or "relating to." "Relate to" or "relating to" as used herein shall include referring to, alluding to, responding to, concerning, connected with, commenting on, in respect of, in respect to, about, regarding, discussing, describing, measuring, reflecting, supporting, analyzing, explaining, constituting, evidencing, or pertaining to.
7. "Evidence" or "evidencing." "Evidence" or "evidencing" as used herein means tending to show, in any probative manner, the existence or nonexistence of any matter.
8. "Concerning" or "concern." "Concerning" or "concern" as used herein shall include relating to, pertaining to, describing, evidencing, involving or constituting.
9. "Describe." "Describe," or any form of that word, as used herein shall have the following meanings and include the following instructions: (a) "describe" shall generally mean to describe, explain, illustrate, represent or characterize; (b) "describe" when used in reference to a transaction, event or activity means to state (i) the identity of each person who participated in or was present during the transaction, event or activity, (ii) the location of the transaction, event or activity, and (iii) the date of the transaction, event or activity; and (c) "describe" when used in reference to a communication means to state (i) the identity of each person who participated in or was present when the communication was made, (ii) the date of the communication, (iii) the substance and subject matter of the communication, and (iv) identify all documents relating to or evidencing the communication.
10. "Communication" or "communications." "Communication" or "communications" as used herein means any contract or act by which information or knowledge is transmitted or conveyed between two or more persons and includes, without limitation: (a) written contacts (whether by letter, memoranda, telegram, telex or other documents); (b) oral contacts (whether by face-to-face meetings, telephone conversations or otherwise); and (c) nonverbal acts intended to communicate or convey any meaning, understanding or other message.
11. The word "or" means and/or and the word "and" means and/or.
12. Each of the words "each," "any" and "all" mean each, any and all.
13. "Fact" "Fact" as used herein refers to and includes all circumstances, events, and evidence pertaining to or touching upon the items in question.
14. "Clubs." Clubs as used herein means Adams Golf Tight Lies® products.

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**III. PLAINTIFF'S FIRST SET OF INTERROGATORIES TO DEFENDANT**

**INTERROGATORY NO. 1:** Identify each person having knowledge or involvement in Costco's purchase of the Clubs.

**ANSWER:**

**INTERROGATORY NO. 2:** Describe all conversations or communications you have had with Adams concerning the Clubs.

**ANSWER:**

**INTERROGATORY NO. 3:** Identify the person who sold you the Clubs or any other product for which you have reason to believe was manufactured by Adams.

**ANSWER:**

**INTERROGATORY NO. 4:** Describe all conversations or communications you have had with any and all of the persons identified in Interrogatory No. 3.

**ANSWER:**

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**INTERROGATORY NO. 5:** Describe in detail how you obtained the Clubs or any other products for which you have reason to believe was produced by Adams.

ANSWER:

**INTERROGATORY NO. 6:** State in detail the amount of money and/or any other form of compensation you originally contracted to receive from any and all parties identified in Interrogatory No. 3 and the amount of money and/or any other form of compensation you actually received or plan to receive for the same.

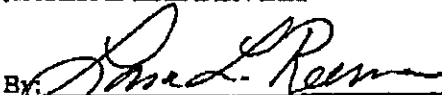
ANSWER:

**INTERROGATORY NO. 6:** State in detail each and every contention or reason by which you believe you have a lawful right to sell the Clubs.

ANSWER:

Respectfully Submitted

ARTER & HADDEN LLP

By: 

JACQUELINE I. VALENZUELA

State Bar No. 00790114

LARA REENAN

State Bar No. 24002814

ARTER & HADDEN LLP

1717 Main Street, Suite 4100

Dallas, Texas 75201-4605

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Facsimile: (214) 741-7139

ATTORNEYS FOR PLAINTIFF

**PLAINTIFF'S FIRST SET OF INTERROGATORIES TO DEFENDANT - Page 6**

102367.1

\*\* TOTAL PAGE. 17 \*\*

AH 000118

**A. 30**





**A. 31**

Adams Golf

Page 1 of 1



## Press Releases

### Adams Takes Legal Action Against Costco Plano, Texas - June 9, 1998

Adams Golf filed a Bill of Discovery against Costco on June 9, 1998.

The Bill of Discovery was filed in order to determine whether Costco's claims that they had properly acquired Adams' Tight Lies® fairway woods for resale were accurate.

Adams Golf became concerned when it learned that Costco was selling their Tight Lies® fairway woods because Costco is not an authorized distributor.

"We are committed to our program of partnership with our retail accounts," stated Barney Adams, Chief Executive Officer of Adams Golf. We are prepared to take every legal action required to ensure that our valuable relationship with our retailers is maintained and remains fully intact," Adams added.



[Back to the List of Press Releases](#)

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ADAMS 001494

**A. 32**

Hoby's Golfworks Inc.  
120 Route 33  
Manalapan, NJ 07726

September 29, 1998

Barney Adams  
Adams Golf  
2801 East Plano Parkway  
Plano, Texas 75074

*This is  
Jay's account*

Dear Mr. Adams,

**Subject: Return of Clubs and past Dealings**

I am sorry that I am forced to write this letter but your actions in the past year are forcing me to do so. Here is a summary of what has occurred in the last year.

- In early January your company sent me an order that was supposed to be shipped over a course of time and billed net 90 days and put on my American Express card.
- In February you charged the entire amount to my American Express Card making my monthly obligation to them over 12,000.00 dollars.
- As early as June your clubs were for sale in Cosco for less than my wholesale price. I was guaranteed that you were a one-price shop and that this wouldn't happen. Well it did much to my disappointment and forced me to sell most of the rest of my inventory at or below cost and to sell the demo clubs that I loaned out for half price.
- I am returning the rest of the inventory that I could not unload for credit on my bill. RA16541c

I have suffered damage to my credit, have fallen behind in payments to other companies, had to take money from my retirement account to keep my business afloat, worked normal 70 hour weeks to save on payroll to maintain what I have worked for the last ten years.

Your unscrupulous use of my credit card, your premature shipping, and your selling your product to others at lower prices have contributed greatly to my present state of business. I hope you take this into consideration and call our account square as of today and will inform me as such in the near future

Respectfully yours,

*George H. List Jr.*

George H. List Jr.  
President  
Hoby's Golfworks Inc.

MSOffice

ADAMS 046813

*10/20/98  
Per Jay this could have  
been a system problem.  
I agreed it could have been  
but expressed concern that  
... seems to be associated with  
this type of problem in  
overwhelmingly  
inappropriate  
frequency.*

**A. 33**

1 IN THE UNITED STATES DISTRICT COURT  
2 FOR THE DISTRICT OF DELAWARE

3 - - -

4 IN RE: ADAMS GOLF, INC.:

5 SECURITIES LITIGATION :

6 X

7 ORAL DEPOSITION OF EDDIE G. TATE, III  
8 Tuesday, June 27, 2006

9 - - -

10 Oral deposition of EDDIE G. TATE, III,  
11 held at the offices of Fox Rothschild, 1301  
12 Atlantic Avenue, Atlantic City, New Jersey  
13 08401, commencing at 9:41 a.m. reported  
14 by Debra Sapio Lyons, RDR, CRR, CSR and Notary  
15 Public of the States of New Jersey, New York and  
16 Maryland.

17  
18  
19 - - -  
20

21 RSA/VERITEXT COURT REPORTING COMPANY  
22 1845 Walnut Street, 15th Floor  
23 Philadelphia, PA 19103  
24

Page 18

1 Florida RAC, did -- were -- were you  
2 reading or monitoring sales transactions  
3 involving Manatee Golf?

4 A. Yes.

5 Q. Did -- was there ever a  
6 time that transactions involving Manatee  
7 Golf raised your curiosity?

8 A. Yes.

9 Q. And can you describe what  
10 that was?

11 A. Again, when the monthly  
12 sales report would come through, I'm in  
13 Florida, I don't have anyone there, a fax  
14 would come through -- through my fax  
15 machine in my office, which was in my  
16 house, and I would always, you know, pull  
17 out this fax, look at the back page, see  
18 where my sales numbers were. And this one  
19 day in June of 1998 I had a \$600,000.00 --  
20 600 plus thousand dollar order. And --

21 Q. I'm sorry. And who was  
22 that order to?

23 A. It was to Manatee Golf.

24 Q. Okay.

Page 19

1 A. It was to Manatee Golf.  
2 And as a salesperson, one being the end of  
3 my quarter. And realizing that a lot of my  
4 extended pay came out of sales, I was  
5 curious whether I was going to get a bonus  
6 off of this because it was still within my  
7 state, and it wasn't Edwin Watts. I was  
8 supposed to get a kick off of every account  
9 that was not Edwin Watts. So I called my  
10 boss, who was Scott Blevins. And I asked  
11 him first what's this about, you know, am I  
12 going to get credit for this?

13 Q. And did you get credit for  
14 it?

15 A. No.

16 Q. And why -- what was it  
17 about a \$600,000.00 sale to Manatee Golf  
18 that prompted you to pick up the phone?  
19 Why was it unusual?

20 A. Because in sales we follow  
21 histories. You know, if you have a golf  
22 shop and you're doing \$2,000.00 a month, my  
23 goal might be to increase you 50 percent,  
24 up to 3,000 a month. Within six months I

Page 20

1 might want to get you to 6,000 a month.  
2 You know, their entire credit limit was no  
3 more than 60 or \$90,000.00. So to get an  
4 order of that magnitude, which was second  
5 only to an Edwin Watts for a store that's a  
6 couple thousand square feet, was just way  
7 out of line, way out of order.

8 Q. And this was in June of  
9 1998?

10 A. Yes.

11 Q. When you -- you said you  
12 picked up the phone and you called Scott  
13 Blevins?

14 A. Yes.

15 Q. You were in Florida.  
16 Blevins would have been in?

17 A. Plano.

18 Q. And that was at Adams Golf  
19 headquarters?

20 A. Yes.

21 Q. Okay. Can you describe  
22 what, if anything, was said at that time?  
23 What --

24 A. I asked Scott what this

Page 21

1 order was, and he told me not to worry  
2 about it. And I just let it go.

3 And when I asked him if I was  
4 going to get a kick or a commission off of  
5 it, he said no. So I pretty much let the  
6 whole transaction go at that point.

7 Q. Was anything else said in  
8 that conversation, or is that pretty much  
9 the sum total?

10 A. Not to my recollection.

11 Q. Okay. Are you able to  
12 recall what was the sales environment at  
13 Adams Golf like at that time?

14 You started in May, and I guess  
15 you testified this transaction occurred in  
16 June.

17 A. Uh-huh.

18 Q. Can you describe what the  
19 sales environment at Adams Golf was at that  
20 time?

21 A. Adams Golf was on the tail  
22 end of the success of the original Adams  
23 Tight Lies. So it was very upbeat and  
24 everything else, but at the same time,

6 (Pages 18 to 21)

Page 42

1 salespeople actually moving our products,  
2 we had to give the retailers a decent  
3 margin.

4 So when you start looking at a  
5 179 is what it fell to -- when I first got  
6 with Adams, if I'm not mistaken, our retail  
7 price for the original Adams Tight Lies was  
8 \$199.00. And I had bought one before I  
9 worked for the company, I know I paid 199  
10 at Edwin Watts for it. So with \$119.00  
11 wholesale price, you're looking at \$80.00,  
12 \$90.00 right there. Once that went away  
13 and the margin was lost and their trust was  
14 lost, the motivation for them to sell was  
15 very, very, very low.

16 Q. Gotcha. And the retailers  
17 were pointing at gray marketing as the  
18 problem --

19 A. Absolutely.

20 Q. -- with the margin?

21 A. Absolutely. That was the  
22 root cause in the eyes of the retailers.

23 Q. And I guess what you've  
24 just testified to is sort of summed up in

Page 44

1 Q. Okay. What, if anything,  
2 became of the clubs that were shipped to  
3 Manatee Golf, if you know?

4 A. We never were able to  
5 ascertain exactly what ever happened to  
6 those clubs.

7 Q. Did you -- did your  
8 retailers have suspicions about what was  
9 going on?

10 A. Yes, they did.

11 Q. And what were those?

12 A. That a lot of the clubs  
13 were either shipped and delivered to Costco  
14 and other unauthorized dealers, and some  
15 clubs were also delivered overseas into  
16 China and Asia.

17 Q. I see. Just another second  
18 if I may. I'm just...

19 (Pause.)

20 Q. Okay. So it's your  
21 conclusion then that the -- oh, no, strike  
22 that.

23 MR. MARA: I have nothing  
24 further. Thanks for your time.

Page 43

1 the next paragraph, the first sentence, "In  
2 short," I'm quoting you, "In short,  
3 retailers want their better margins, and  
4 that's all."

5 A. Yes.

6 Q. The margins are king?

7 A. Absolutely.

8 Q. All right. Just a moment,  
9 if I may.

10 (Pause.)

11 I just -- do you know -- I'm  
12 sorry, back on.

13 Manatee Golf, do you know was it  
14 a multi -- maybe you testified to this, was  
15 it a multi-store operation?

16 A. No, it was a one-unit  
17 store.

18 Q. Okay.

19 A. Just -- that was the only  
20 one.

21 Q. And were you aware, were  
22 they a -- a distributor of Adams Golf  
23 clubs?

24 A. Not to my knowledge.

Page 45

1 ---

2 EXAMINATION

3 ---

4 BY MS. REED:

5 Q. I have a few questions.  
6 Actually, probably more than a few.

7 I'm Michele Reed and I represent  
8 the Adams Golf defendants in this  
9 securities litigation.

10 A. Excuse me. Are you the one  
11 who called me the first time in September?

12 Q. I am. I am.

13 A. Okay.

14 Q. Tell me a little bit about  
15 your position as a Regional Account  
16 Coordinator, when you first --

17 MR. MARA: I'm sorry to  
18 interrupt. My apologies. Can I take a  
19 short break?

20 MS. REED: Yeah, sure.

21 MR. MARA: Just a 30 second  
22 break. I'm sitting here thinking.  
23 Thanks. Okay.

24 (A recess is held.)



Page 66

1 significantly?

2 A. Oh, just, again, it was  
3 still a growing product. If you went back  
4 to 1996 you'd see that it was, you know,  
5 like 18 clubs, but by 1997 it was this, by  
6 1998 it was this. But it was still in its  
7 second year of a product cycle run, so it  
8 was, no matter what, on the tail end of its  
9 success.

10 Q. When did you first visit  
11 Manatee Golf?

12 A. If I started in May, I  
13 would probably say almost immediately or no  
14 later than mid June.

15 Q. And who was the owner of  
16 Manatee Golf?

17 A. His name was Larry.

18 Q. You testified today that  
19 there was a \$600,000.00 order in June?

20 A. Yes.

21 Q. When we had -- we had  
22 talked in September, I think it was --

23 A. Uh-huh.

24 Q. -- or something like

Page 67

1 that --

2 A. September, October.

3 Q. -- you had left me a  
4 message and said that you had found some  
5 documentation that showed that it was a  
6 \$498,000.00 order?

7 A. No, it was more than that.

8 Q. Do you have that  
9 documentation?

10 A. I do not.

11 Q. Do you have that  
12 documentation with you at home?

13 A. No, I do not.

14 Q. Let me see.

15 Why do you think that it's  
16 \$600,000.00 and not \$498,000.00 now?

17 A. My recollection, again, if  
18 I'm not mistaken, I just believed it to be  
19 greater than 600,000.

20 Q. Do you know how much it  
21 was, the order?

22 A. I always want to say either  
23 642 or 682. Now, when I called your office  
24 after we spoke, I read --

Page 68

1 (Telephone interruption.)

2 THE WITNESS: You might want to  
3 grab that just in case.

4 MR. MARA: Yeah, hang on.

5 MS. REED: Off the record.

6 (Discussion is held off the  
7 record.

8 MS. REED: Back on the record.

9 BY MS. REED:

10 Q. When you called me, I guess  
11 this was in October, you said that you were  
12 moving and that you'd probably come across  
13 documentation, and you did, and you said  
14 "Manatee Golf, Bradenton, Florida,  
15 \$498,774.38. That's what it was, so I was  
16 a little high in what I told you."

17 A. Okay.

18 Q. Does that sound right,  
19 498,000?

20 A. So what I would like to say  
21 then is when I originally talked to you, I  
22 probably said the same exact number and  
23 made the amendment when I spoke with you  
24 over the telephone because that was read

Page 69

1 specifically and exactly off of that fax.

2 Q. And you don't still have  
3 that fax?

4 A. When I moved, literally,  
5 and this goes back to my termination  
6 anyway, and there's some communication I  
7 had with the Human Resources, I really did  
8 want to move on with myself. When you  
9 called me, it was one thing, and I just  
10 communicated back with you. A couple  
11 months or, you know, just a couple months  
12 ago I was contacted again by another  
13 lawyer, I guess it's Ms. Moriaty, I really  
14 had gotten to the point where I didn't want  
15 to really be involved and I discarded  
16 pretty much everything I had with Adams.  
17 This I found 'cause it's on the computer --  
18 not even on my computer, it's on a disk.  
19 So it was found by accident more than  
20 anything else.

21 MR. MARA: Referring -- I'm  
22 sorry. Referring to Exhibit 299.

23 THE WITNESS: Yes.

24 BY MS. REED:

Page 70

1 Q. So \$600,000.00 isn't --  
 2 A. No.  
 3 Q. -- the right number?  
 4 A. The number that you just  
 5 read would be the exact and correct amount  
 6 read specifically from that documentation.  
 7 MS. REED: Mark this as Exhibit  
 8 300.  
 9 (Exhibit 300, Adams Golf Monthly  
 10 Management Summary June 1998, Bate  
 11 Stamped Adams 1879 to Adams 1908, is  
 12 marked for identification.)  
 13 BY MS. REED:  
 14 Q. I'm showing you what's been  
 15 marked as Exhibit 300. It's Bate Stamped  
 16 Adams 1879 to Adams 1908, and it's the  
 17 Adams Golf Monthly Management Summary for  
 18 June, 1998.  
 19 If you turn to Page Adams 1894 --  
 20 A. I'm sorry. What number?  
 21 Q. 1894.  
 22 A. Okay.  
 23 Q. It shows sales to the top  
 24 ten customers for the current month, which

Page 71

1 is June, 1998; and listed as number four is  
 2 Manatee Golf at \$289,611.00?  
 3 A. Okay.  
 4 Q. Would it surprise you that  
 5 that was the amount that was actually  
 6 shipped to Manatee Golf in June, 1998?  
 7 A. Shipped or was that --  
 8 well, let me read what it says first.  
 9 So are you telling me that the  
 10 sales for that month would be \$289,000.00?  
 11 Q. Yes.  
 12 A. Then I would say I would be  
 13 surprised by that.  
 14 Q. Why?  
 15 A. Their inventory levels,  
 16 their sales histories did not support that  
 17 type of volume. They had a credit limit  
 18 that wasn't even \$90,000.00, even at that  
 19 time.  
 20 Q. Well, they sold  
 21 \$289,000.00, and so their credit limit  
 22 obviously went up; is that right?  
 23 A. No.  
 24 Q. How would you know what

Page 72

1 their credit limit was?  
 2 A. 'Cause I had access to  
 3 their Excel spreadsheets. I knew what  
 4 their credit limits were. I knew what  
 5 their buying histories were.  
 6 Q. So how would Manatee Golf  
 7 pay for this particular order then?  
 8 MR. MARA: Objection. That  
 9 calls for speculation.  
 10 BY MS. REED:  
 11 Q. So you don't really know  
 12 exactly what their credit limit was or --  
 13 A. No.  
 14 Q. -- how they would pay for  
 15 something?  
 16 A. I do know what their credit  
 17 limit was.  
 18 Q. Okay.  
 19 MR. MARA: I mean, you can  
 20 answer the question. I just objected.  
 21 THE WITNESS: Yeah, absolutely.  
 22 Their credit limit is clearly specified  
 23 in the Florida Excel spreadsheet for  
 24 all sales. And their -- their credit

Page 73

1 limit is not over \$100,000.00. It's  
 2 not, at any point. And that goes --  
 3 Mr. Mara, can you say off the record  
 4 for a second?  
 5 I just want to ask him one  
 6 question.  
 7 MS. REED: Sure, that's fine.  
 8 MR. MARA: Off the record.  
 9 (Discussion is held off the  
 10 record.)  
 11 BY MS. REED:  
 12 Q. So while we were off the  
 13 record, you talked about an email and an  
 14 Excel spreadsheet. What is that?  
 15 A. It was a listing of all  
 16 accounts for the entire State of Florida,  
 17 what their purchase powers would be, which  
 18 would be authorized credit limits, and  
 19 Manatee Golf did not have a credit limit  
 20 that was in excess of \$100,000.00.  
 21 Q. Could you email that to me  
 22 if I -- oh, I gave you my card.  
 23 A. Yes.  
 24 Q. Could you email that to me

**A. 34**

June 26, 1998

Dan Straka  
King Par Golf  
G-5140 Flushing Road  
Flushing, MI 48433

VIA FACSIMILE  
816-732-6662

Dear Mr. Straka:

As you know, our Distribution Agreement and the business arrangements that follow therefrom and are provided to you periodically in writing, permit you to sell Adams Golf products to end-user consumers. We have been advised that one or more of our distributors has been selling Adams Golf products to wholesalers, such as Costco Wholesale. As we are investigating this information, we write to remind you of your agreement and the limitation within the Agreement as stated above.

Please acknowledge your understanding and receipt of this notification by signing below where indicated.

For the benefit of all of our customers, Adams Golf will continue to ensure that each distributor abides by the terms of its Distribution Agreement and business arrangements.

Thank you for your cooperation.

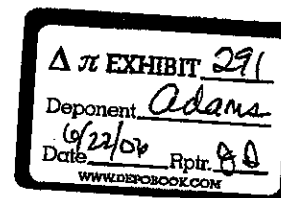
Yours truly,

B.H. (Barney) Adams

ACKNOWLEDGED AND RECEIVED:

\_\_\_\_\_  
BHA:afn

cc: J. Valenzuela



ADAMS028492

**A. 35**

June 26, 1998

Larry Tatro  
Manatee Golf  
3908 Manatee Avenue West  
Bradenton, FL 34205

VIA FACSIMILE  
941-745-1693

Dear Mr. Tatro:

As you know, our Distribution Agreement and the business arrangements that follow therefrom and are provided to you periodically in writing, permit you to sell Adams Golf products to end-user consumers. We have been advised that one or more of our distributors has been selling Adams Golf products to wholesalers, such as Costco Wholesale. As we are investigating this information, we write to remind you of your agreement and the limitation within the Agreement as stated above.

Please acknowledge your understanding and receipt of this notification by signing below where indicated.

For the benefit of all of our customers, Adams Golf will continue to ensure that each distributor abides by the terms of its Distribution Agreement and business arrangements.

Thank you for your cooperation.

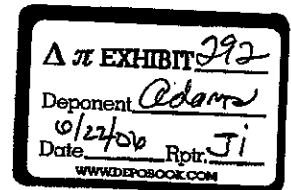
Yours truly,

B.H. (Barney) Adams

ACKNOWLEDGED AND RECEIVED:

\_\_\_\_\_  
BHA:afn

cc: J. Valenzuela



ADAMS028486

**A. 36**

**COSTCO WHOLESALE**  
**\*LIVONIA II #391\***

GOLDSTAR MEMBER #833096886000

7

25826 ADAMS WOOD

149.99

Barney, This  
 receipt came through  
 with a lat request.  
 Just wanted to make  
 sure you knew Costco  
 is still selling our  
 clubs below retail  
 will

200622 100' HOSE	12.99	T
46956 DNR NAPKIN	5.99	T
803233 PAPER PLATES	4.89	T
99354 CUTLERY	5.99	T
54287 NUTRI-GRAIN	5.99	
89669 RED PLST CUP	5.99	T
1597 PAPER PLATES	5.99	T
27049 NACHO DORITO	3.79	
27090 FRITO SCOOPS	3.19	

\*\*\* 6% TAX RATE 11.74

*File:*  
*COSTCO* TOTAL 221.34

VF PRICECOSTCO Credit 221.34

XXXXXXXXXXXXXXXXX6000 2412 SWIPED

Seq #: 000635 Ref #: 12624300

PRICECOSTCO Credit Resp: 00A

00APPROVED

AMOUNT: \$221.34

0391 011 0000000065 0294

CHANGE .00

TOTAL NUMBER OF ITEMS SOLD = 10  
 CASHIER: VALERIE G RE3411  
 7/03/98 20:32 0391 11 0294 65

1-800-774-2678 Member Service  
 THANK YOU  
 PLEASE COME AGAIN

ADAMS 001447



**A. 37**

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

IN RE: ADAMS GOLF, INC. : CONSOLIDATED  
SECURITIES LITIGATION : C.A. NO. 99-371 KAJ  
\_\_\_\_\_ X

ORAL DEPOSITION OF J. DAVID WASHBURN  
Tuesday, August 16, 2006

The oral deposition of J. DAVID WASHBURN  
was held at the law offices of Akin Gump Strauss  
Hauer & Feld, LLP, 1700 Pacific Avenue, Suite  
4100, Dallas, Texas, from 10:03 a.m. to  
12:28 p.m., before Jamie K. Israelow, a Certified  
Shorthand Reporter in and for the State of Texas,  
Registered Professional Reporter, Certified  
Realtime Reporter and Certified LiveNote Reporter.

RSA/VERITEXT COURT REPORTING COMPANY  
1845 Walnut Street, 15th Floor  
Philadelphia, PA 19103  
(215) 241-1000 (888) 777-6690

Page 42

1 then the group decides on how to respond, and we  
2 add paragraph by paragraph the responses that we  
3 intend to submit to the SEC.

4 So I don't know the genesis of  
5 this document, but I suspect it began the same  
6 way.

7 Q (By Ms. Fox) In other words, you  
8 would have taken the four comments from Hoffman's  
9 memo and started with those?

10 A Somehow, some way, the comments would  
11 need to be articulated in the response letter,  
12 yes.

13 Q And in some cases they are virtually  
14 word for word. I think the first one is virtually  
15 word for word from comment from staff?

16 MS. BRANNEN: Objection, form.

17 Q (By Ms. Fox) Is it?

18 A I don't know. I can match them up if  
19 you'd like.

20 Q The second one is virtually word for  
21 word. Would you agree?

22 A It appears to be, yes.

23 Q The third one appears to be word for  
24 word?

Page 43

1 A I agree.

2 Q And the fourth one is different. Do  
3 you know why the fourth one is different?

4 A No.

5 Q Would Mr. Hoffman have been involved  
6 in doing this draft, as well as you?

7 A Potentially.

8 Q Do you have an opinion on which is  
9 more accurate, just using the words "Costco  
10 matter," or using the words "an action in Texas  
11 against Costco companies," blah, blah, blah?

12 A Accurate when compared to the verbal  
13 comment received from the SEC?

14 Q Yes. In other words, my interest is:  
15 Was the SEC looking at all the problems that Adams  
16 Golf may have had with Costco, or were they just  
17 looking at the lawsuit and the press release?

18 MS. BRANNEN: Objection, form.

19 A I don't know.

20 Q (By Ms. Fox) So you can't -- you  
21 have no idea why that was changed from "Costco  
22 matter" to the "action in Texas"?

23 A No.

24 Q And then there's a response which

Page 44

1 ends with: The company does not believe that this  
2 proceeding is material.

3 A May I see that?

4 Q What was the basis, if you know, of  
5 that proposed response to the SEC comment?

6 A I'm not sure I understand the  
7 question.

8 Q What was your basis for saying: The  
9 company does not believe that this proceeding is  
10 material?

11 MR. RYAN: Objection, form.

12 A Yeah. I don't know what the universe  
13 of facts were that were considered at the time  
14 that the draft response was prepared, so I don't  
15 know the bases of that draft response.

16 Q (By Ms. Fox) Okay. At the beginning  
17 of this response, second paragraph: This letter  
18 summarizes the company's responses to staff's oral  
19 comments received June 25th, 1998. The  
20 undersigned, which would have been Joe Hoffman and  
21 David Washburn of this company, previously  
22 discussed the company's responses at greater  
23 length with Ms. Carolyn Kurr of the staff on  
24 July 1st, 1998.

Page 45

1 Do you have any memory of that  
2 discussion with Carolyn Kurr?

3 A None.

4 Q And as far as you know, there are no  
5 notes extant of that discussion?

6 A Correct.

7 Q If there had been notes, would they  
8 have been put into the file?

9 MS. BRANNEN: Objection, form.

10 A You -- I don't know. You're asking  
11 me to speculate. I don't even recall if there  
12 were notes.

13 Q (By Ms. Fox) Okay. Was it your  
14 habit, when on the phone with somebody like the  
15 SEC, to -- to make notes, as you were on the  
16 telephone?

17 A I wouldn't say it was a habit, no.

18 Q How about Mr. Hoffman, was he a  
19 notetaker? Does he write down everything?

20 A I couldn't comment on Joe's habits.

21 Q You only worked for him for 25 years.

22 A Not that many, but I suspect it will  
23 be 25 years.

24 Q So we're left with really no clue of

12 (Pages 42 to 45)

Page 46

1 what went on with you and the SEC?  
 2 MR. RYAN: Objection, form.  
 3 MS. BRANNEN: Objection, form.  
 4 Q (By Ms. Fox) Is that right?  
 5 A Yeah. I don't know what you're left  
 6 with.  
 7 Q Do you remember any discussions with  
 8 the company during that period between July 25th  
 9 and -- I'm sorry -- June 25th, when they called,  
 10 and July 6th, when apparently the letter was --  
 11 was -- and the August file -- and Amendment 2 was  
 12 filed with the SEC?  
 13 A I don't have any specific  
 14 recollection of any such conversations. I'm  
 15 confident that we had more than one such  
 16 conversation in order to evaluate and consider the  
 17 SEC's comments and decide how best to respond.  
 18 Q Who would you have spoken with at the  
 19 company?  
 20 A The company representatives. There  
 21 were a number of them, so I can't tell you with --  
 22 I can't tell you who those conversations would  
 23 have been with.  
 24 Q This was during the road show, so

Page 47

1 Mr. Adams, Mr. Gonsalves, and Mr. Hatfield were  
 2 otherwise occupied. I can show you the -- I don't  
 3 know that we need to make -- this is already an  
 4 exhibit. Exhibit 166, you can see the -- other  
 5 than that 4th of July weekend.  
 6 MS. BRANNEN: Objection, form.  
 7 Did you ask a question?  
 8 Q (By Ms. Fox) My question is: Who  
 9 other than those three would you have spoken to?  
 10 Would they have been ordinarily the people that  
 11 you would speak to with respect to an SEC comment?  
 12 MR. RYAN: Objection, form.  
 13 Go ahead.  
 14 A We spoke to a number of people at the  
 15 time who were critical in making these decisions.  
 16 That group included Barney. That group included  
 17 Darl. It included Patty. Indeed, there was an  
 18 unusual number of officers involved in this  
 19 particular IPO.  
 20 Which subgroup we spoke to  
 21 about this and whether Barney in particular called  
 22 in while on the road, I don't recall.  
 23 Q (By Ms. Fox) This was over the 4th  
 24 of July weekend. Do you remember working the 4th

Page 48

1 of July weekend?  
 2 A I would need to ask my wife. It  
 3 wouldn't surprise me.  
 4 Q Other than those three names and  
 5 Patty Walsh, do you remember any other names of  
 6 people you spoke to at the company who were  
 7 helpful?  
 8 A Again, there were a number of --  
 9 MS. BRANNEN: Objection, form.  
 10 A -- folks involved: Jim Ferrell, Dick  
 11 Murtland, Mark Gonsalves. No doubt, others.  
 12 Q (By Ms. Fox) Those are all the  
 13 people that come to mind as you mull over --  
 14 A Yeah.  
 15 MS. BRANNEN: Objection, form.  
 16 MS. FOX: What's wrong with  
 17 that form?  
 18 MS. BRANNEN: It's unclear to  
 19 me. Are you asking him in general, or are you  
 20 asking him with regard to this comment in  
 21 particular?  
 22 Q (By Ms. Fox) With regard to the  
 23 people that you used as information givers from  
 24 the company at this period of time, which would

Page 49

1 have been, say, the last month before the IPO,  
 2 would that be a comprehensive list of the people  
 3 you can remember now?  
 4 A Indeed, it is not a comprehensive  
 5 list of the people we talked to. You're getting  
 6 the benefit of the people I can remember as I sit  
 7 here.  
 8 Q Right.  
 9 MS. FOX: This is Exhibit 165.  
 10 I only seem to have two of these. Does anyone  
 11 have another? 165 is --  
 12 MR. McEVOY: Show it to me,  
 13 please.  
 14 MS. FOX: Do you need it,  
 15 Jenny?  
 16 MS. BRANNEN: I have it.  
 17 Q (By Ms. Fox) This is one of the  
 18 letters I sent you.  
 19 A Okay.  
 20 Q Can you identify this letter?  
 21 A This is a letter dated July 6th,  
 22 1998, on Arter & Hadden letterhead, which  
 23 functioned as the transmittal letter to the US  
 24 Securities and Exchange Commission to Amendment

13 (Pages 46 to 49)

**A. 38**

SENT BY: ARTER & HADDEN-DALLAS : 7- 1-98 : 9:54PM :

ARTER & HADDEN

2653245: 7/ 8

M E M O R A N D U M

TO: File  
FROM: Joe Hoffman  
RE: Adams Golf SEC Comments

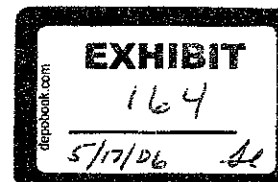
June 25, 1998

Carolyn Kurr of the SEC called to relay to me the SEC's comments on the Adams Golf S-1 Registration Statement Amendment No. 1 filing.

The following is a summary of the Staff's comments:

1. The Staff has conducted a review of press releases and other publicity regarding the Company and noted that Mr. Adams, the Chairman of the Company, was quoted in a number of articles. Please make a good faith effort to review recent publicity and to square the information therein with the Prospectus.
2. The Staff has noticed that the Company has an interactive site with Mr. Adams on its web page. Please discontinue the use of this feature until the Registration Statement has become effective.
3. Consider updating disclosure in the Prospects regarding USGA approval of golf equipment.
4. The Staff wanted the Company to consider whether disclosure of the Costco matter was necessary.

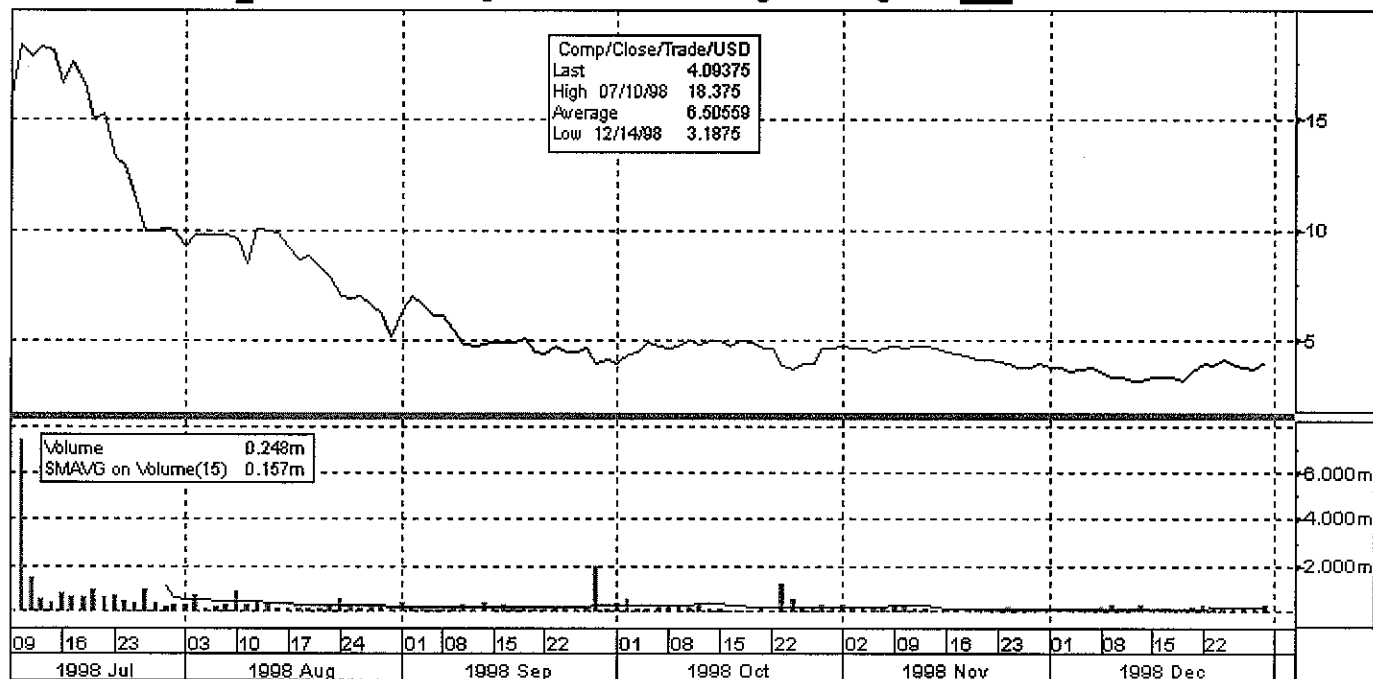
104367.1



UND 02708

**A. 39**

ADGO US \$ **↑ 1.35** -.05 U U1.35/1.41U 5x5 Equity **GP**  
 DELAY Vol 1,000 Op 1.35 U Hi 1.35 U Lo 1.35 U ValTrd 1350  
**Trade Line** ADGO US Equity 1/4  
 Range **7/ 9/98 - 12/31/98** Period **D** Daily Base Currency: **USD**  
 Upper Chart: **3** Trade Line Moving Averages **15**  
 Lower Chart: **V** Volume Histogram Moving Average **15** 1) News



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2006 Bloomberg L.P.  
 G384-261-0 09-Oct-2006 12:20:03



&lt;HELP&gt; for explanation.

N090 Equity HP

**Comp/CLOSE/PRICE**

ADAMS GOLF INC (ADGO US) PRICE 1.35

Page 2 / 3  
\$ DELAYED

Range 7/ 9/98 to 12/31/98

Period D Daily

HI 18.375 ON 7/10/98

AVE 6.5056 VL 313667

LOW 3.1875 ON 12/14/98

Market I Trade

USD

DATE	PRICE	VOLUME	DATE	PRICE	VOLUME	DATE	PRICE	VOLUME
F 10/30	4.625	198800	F 10/ 9	4.75	257900	F 9/18	5.0625	69500
T 10/29	4.625	295900	T 10/ 8	4.625	251200	T 9/17	4.875	77800
W 10/28	4.00	151500	W 10/ 7	4.6875	214700	W 9/16	4.9375	246800
T 10/27	3.96875	177800	T 10/ 6	4.875	147600	T 9/15	4.9375	153200
M 10/26	3.6875	508800	M 10/ 5	4.5625	83500	M 9/14	4.8125	358000
F 10/23	3.875	1196900	F 10/ 2	4.4375	581800	F 9/11	4.75	193500
T 10/22	4.625	58000	T 10/ 1	4.00	396800	T 9/10	4.8125	279000
W 10/21	4.625	70100	W 9/30	4.125	96900	W 9/ 9	5.50	98000
T 10/20	4.875	39500	T 9/29	4.00	1976900	T 9/ 8	6.125	115500
M 10/19	5.00	37600	M 9/28	4.625	139700	M 9/ 7		
F 10/16	4.71875	38300	F 9/25	4.50	91700	F 9/ 4	6.125	25800
T 10/15	5.00	64300	T 9/24	4.50	115600	T 9/ 3	6.5625	70000
W 10/14	4.96875	99400	W 9/23	4.6875	128800	W 9/ 2	6.9375	210500
T 10/13	4.8125	307800	T 9/22	4.4375	112300	T 9/ 1	6.375	337700
M 10/12	5.00	204500	M 9/21	4.50	190700	M 8/31	5.1875	222400

Australia 61 2 9777 8600

Brazil 5511 3048 4500

Europe 44 20 7330 7500

Germany 49 69 920410

Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2006 Bloomberg L.P.

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&lt;HELP&gt; for explanation.

N090 Equity **HP****Comp/CLOSE/PRICE**

ADAMS GOLF INC

(ADGO US)

PRICE 1.35

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U \$ DELAYED

HI 18.375 ON 7/10/98

AVE 6.5056 VL 313667

LOW 3.1875 ON 12/14/98

Range **7/ 9/98** to **12/31/98**Period **D** DailyMarket **U** Trade**USD**

DATE	PRICE	VOLUME	DATE	PRICE	VOLUME	DATE	PRICE	VOLUME
F 8/28	6.25	244200	F 8/ 7	9.75	240700	F 7/17	17.625	596300
T 8/27	6.625	175800	T 8/ 6	9.8125	174600	T 7/16	16.625	806600
W 8/26	6.9375	134600	W 8/ 5	9.75	137600	W 7/15	18.1875	383900
T 8/25	6.875	173100	T 8/ 4	9.8125	753900	T 7/14	18.25	553700
M 8/24	6.9375	547600	M 8/ 3	9.25	251400	M 7/13	17.875	1473800
F 8/21	7.875	283700	F 7/31	9.9375	241400	F 7/10	H18.375	7437400
T 8/20	8.25	102700	T 7/30	10.0313	210100	T 7/ 9	16.00	
W 8/19	8.875	67800	W 7/29	9.9375	330600			
T 8/18	8.6875	96200	T 7/28	9.9375	972000			
M 8/17	9.125	106000	M 7/27	11.4375	376800			
F 8/14	9.875	75100	F 7/24	12.875	428500			
T 8/13	10.00	244600	T 7/23	13.3125	684300			
W 8/12	10.0625	435300	W 7/22	15.25	630900			
T 8/11	8.50	285300	T 7/21	14.9375	1031500			
M 8/10	9.625	919400	M 7/20	16.6875	633600			

Australia 61 2 9777 8600

Brazil 5511 3048 4500

Europe 44 20 7330 7500

Germany 49 69 920410

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